

FYE March 2022

Financial Briefing

NAGASE&CO.,LTD.
May 27,2022

President Asakura will now begin his presentation.

Asakura: Good morning. I am Asakura, President of NAGASE & Co., Ltd. Thank you very much for your participation in this online briefing today.

■ FYE March 2022 Results, FYE March 2023 Earnings Projection	P3~P19
■ Initiatives Under Medium-Term Management Plan ACE 2.0	P20~P27
■ NAGASE Group Sustainability	P28~P38

As you can see in the table of contents, I will begin with an overview of our financials, outlook, and medium-term plan. Then, moving on to topics, Sagawa, who is in charge of the Group sustainability, will explain our sustainability initiatives

FYE March 2022 Results, FYE March 2023 Earnings Projection

Consolidated Statements Income

- ▶ Gross profit
 - Higher profit in all segments, with all stages of profit below gross profit reaching record highs
 - In particular, the automobile, resins and electronics, the Prinova Group's nutrition-related business performed well
- ▶ Operating income
 - Income greatly increased year-on-year with increases in gross profit; the economic impact of the COVID-19 had been significant in the previous fiscal year
- ▶ Net income
 - Significantly higher profits with strong business performance and gain on sales of cross-shareholdings, despite recording impairment losses that pressured profits downward

	21/03	22/03	Change	Vs.PY	Forecast (announced Feb 9)	Achievement
Sales	6,252	7,805	+ 1,553	125%	—	—
Gross profit	1,146	1,394	+ 248	122%	1,380	101%
<GP ratio>	18.3%	17.9%	(0.5pt)	—	—	—
SG&A expenses	926	1,042	+ 115	112%	1,030	—
Operating income	219	352	+ 133	161%	350	101%
Ordinary income	228	364	+ 136	160%	365	100%
Profit Attributable to owners of the parent	188	259	+ 71	138%	250	104%
US\$ Exchange rate (period average)	@ 106.1	@ 112.4	@ 6.3	Weak yen	@111.9	
RMB Exchange rate (period average)	@ 15.7	@ 17.5	@ 1.8	Weak yen	@17.4	

* Offset to sales and cost of sales from application of revenue recognition standards: March, 2021, -¥204.9 billion; March, 2022, -¥244.8 billion
 * Impact from foreign exchange: Gross profit, +¥3,200 million; Operating income, +¥900 million

Here is an overview of our income statement.

We achieved record profits in all profit lines.

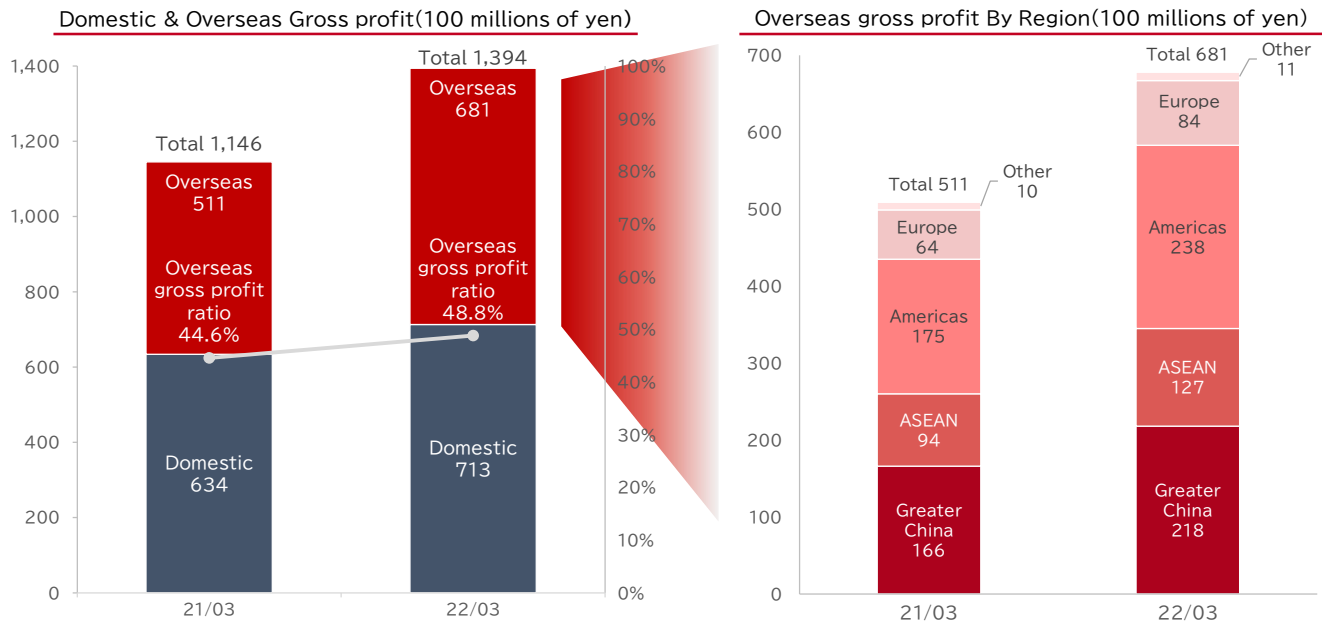
Operating income was JPY35.2 billion and profit attributable to owners of parent was JPY25.9 billion, coming in slightly higher than the revised forecast issued in February.

This overshoot versus the forecast was partly due to external factors, but also to the imbalance between supply and demand.

In addition, amid unprecedented logistics turmoil, our suppliers highly appreciated our ability to maintain supply chains in various fields, resulting in an expansion of our business.

Gross Profit by Region

- ▶ Higher profit both domestic and overseas
- ▶ Domestic : In particular, the automobile-related business and electronics-related business for mobile devices/displays performed well
- ▶ Overseas : The resins business, mainly for office equipment, appliances, and video game devices and focused on Greater China and ASEAN, and the nutrition-related business in Europe and the Americas performed well



*From FYE March 2022, the usual overseas net sales per-destination region have been replaced by per-region information for gross profit, aggregated for each location of consolidated
 *Domestic figures under Domestic & Overseas Gross Profit include inter-regional adjustments

This page shows gross profit by region.

Since the acquisition of Prinova, the percentage of gross profit from overseas sales has increased.

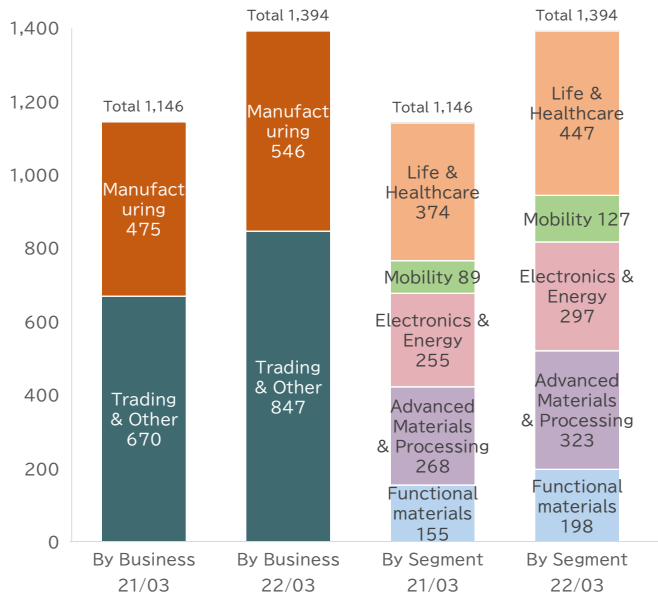
In the current fiscal year, the increase in profits from Greater China and ASEAN was particularly significant, especially in the resin-related business.

Gross Profit by Business & Segment

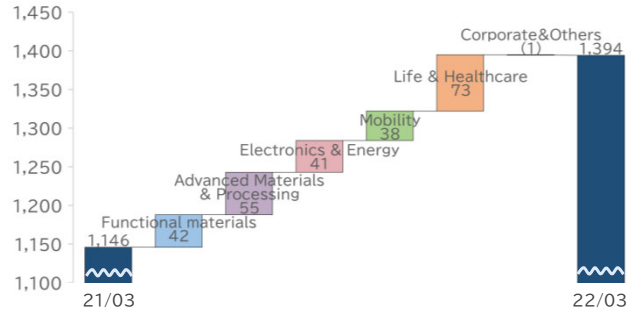
- ▶ Higher profits in all segments, with a full year gross profits reaching record high
- ▶ Functional Materials and Advanced Materials & Processing : Profitability improved due to expanded sales share of highly functional materials and high-value-added group products, in addition to the impact of rising market prices.
- ▶ Life & Healthcare : Profits increased due to strong performance in the Prinova Group's nutrition-related business and strong sales of cosmetics-related materials

* Comparison information for segment values reflects impact from business segmentation changes implemented on April 1, 2021.

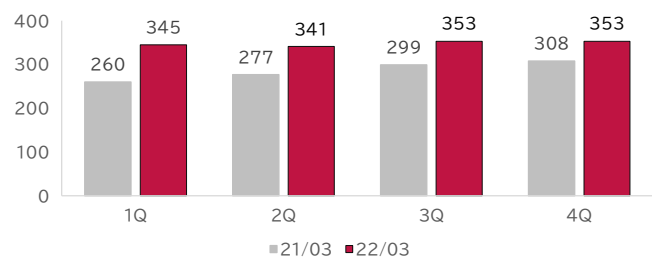
Gross Profit By Business & Segment (100 millions of yen)



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



History of Gross Profit(100 millions of yen)



This page shows YoY comparisons of gross profit by business and segment.

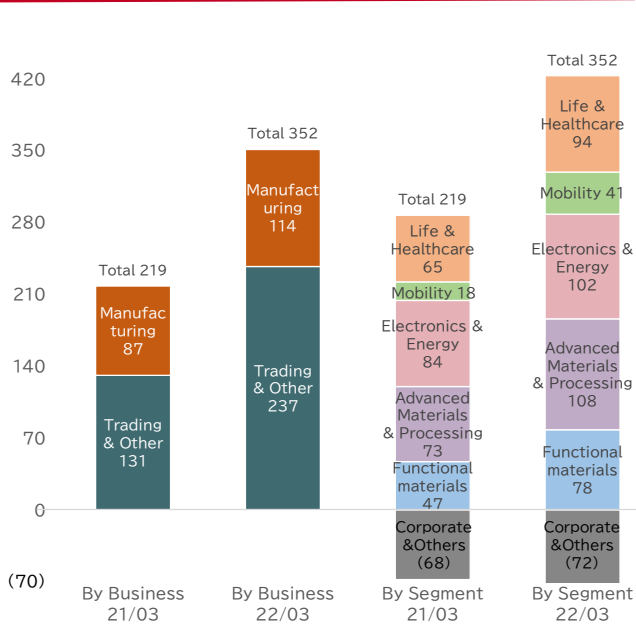
As shown in the graphs below, all business categories and segments performed well.

We are pleased that we were able to increase our market share in each segment of the high-functional zone, mainly with our own products, although improved market conditions also contributed to this.

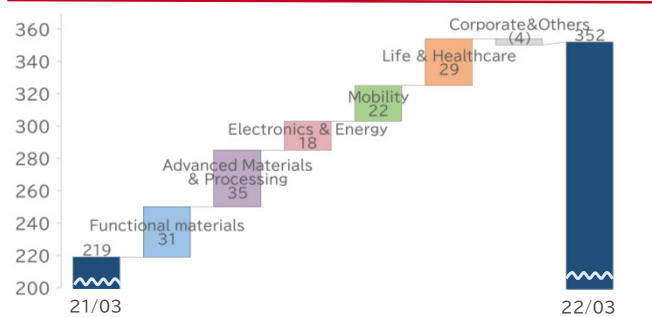
Operating Income by Business & Segment

- ▶ Operating income reached a record high with an increase in gross profit across all segments, despite a slowdown in the second half, mainly due to the normalization of profitability related to resin sales and an increase in general and administrative expenses
- ▶ Manufacturing business operating income reached record high, mainly due to strong Prinova Group performance
- ▶ We continue to invest for sustainable growth in the future, such as DX-related areas

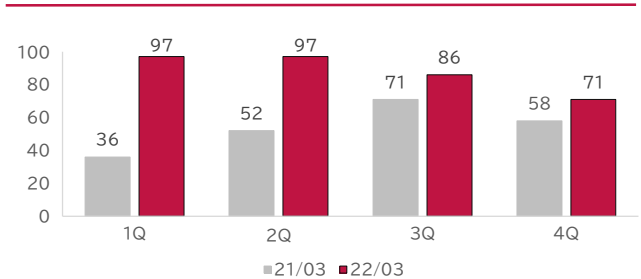
Operating Income by Business & Segment (100 millions of yen)



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



History of Operating Income (100 millions of yen)



This page describes our operating income.

Overall, operating income increased significantly.

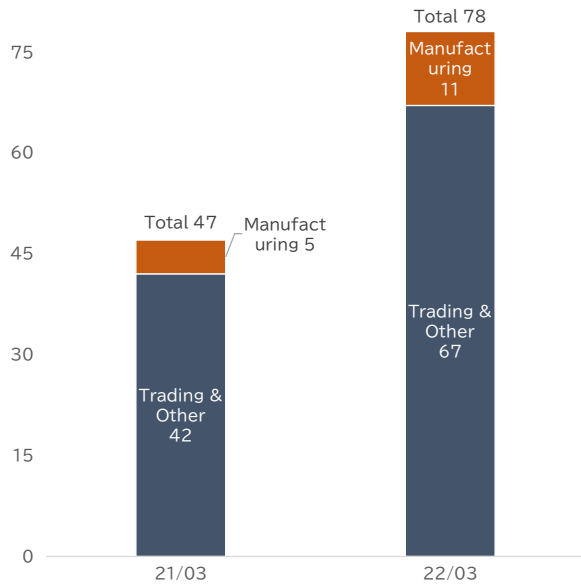
Please see the graph on the bottom right. Looking at operating income by quarter, operating income in the fourth quarter, January to March, appears to be on a downward trend compared to the first half.

This was due to price increases for resins and other raw materials that have subsided, as well as significant increases in SG&A expenses, including distribution and labor costs.

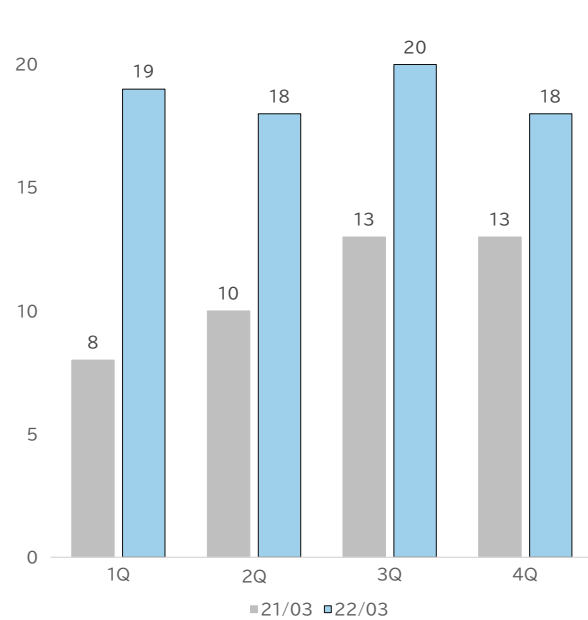
Functional Materials Segment Operating Income Overview

- ▶ Raw materials sales increased for coating and urethane raw materials as well as those related to industrial oil solutions and plastic materials, driven by an increase in automotive production
- ▶ Sales trended strong in areas like electronics chemicals for the electronics industry, such as for semiconductor-related products
- ▶ Profits increased year-on-year; the economic impact of the COVID-19 had been significant in the previous fiscal year, primarily in the automobile-related business

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



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8

From here, I will give a brief overview of each segment.

The first is the Functional Materials segment.

The term electronics chemicals here refers to various raw materials, such as [resists] used in the manufacturing process of semiconductors and other products.

These electronics chemicals performed very well.

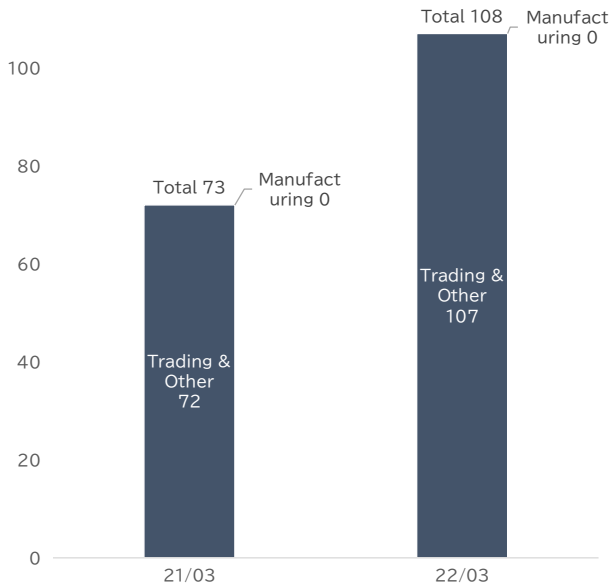
In addition, although not a new product, a product called DENACOL, manufactured by our subsidiary NAGASE ChemteX, showed significant growth in 3D printer applications.

This contributed to the strong performance of the Manufacturing Division in this segment.

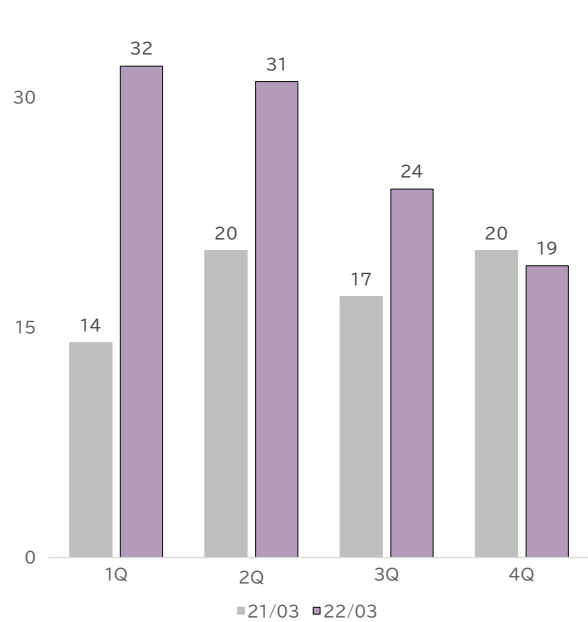
Advanced material & Processing Segment Operating Income Overview

- ▶ Resins sales, mainly in products to the office equipment, appliance, and video game device industry, performed well due to rising market conditions
- ▶ Digital print processing materials sales continued to be sluggish due to impact from declining market from the second half of the previous fiscal year
- ▶ Profits increased significantly year-on-year thanks to strong sales in the resins business both domestically and overseas, as well as improvement in profitability from rising market conditions

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



Next is the Advanced Material & Processing segment. Sales of resin-related products were very strong in Japan and other Asian regions.

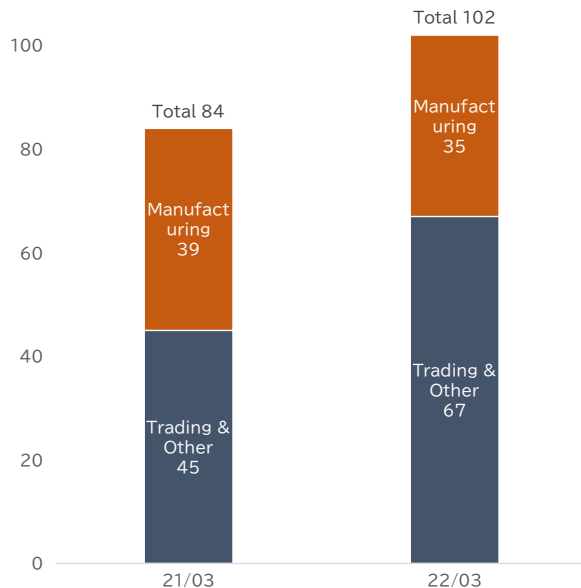
On the other hand, as we have said before, our product Color Former, which is included in information printing related materials, has not yet reached a recovery trend, although it has already bottomed out.

This is due to soaring raw material prices, in addition to market conditions and competition from Chinese products.

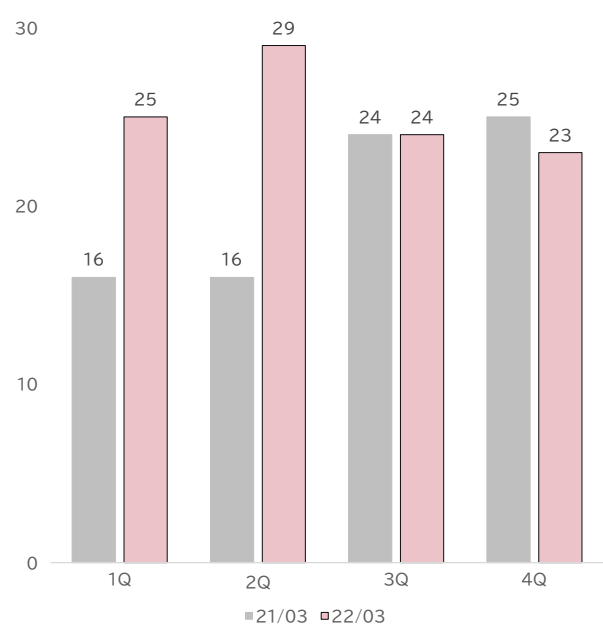
Electronics & Energy Segment Operating Income Overview

- ▶ Sales increased for display-related materials and precision processing-related materials for semiconductors
- ▶ Sales of formulated epoxy resins-related products increased, primarily for mobile devices and semiconductors
- ▶ Establishing a structure for next-generation communications-related business, aiming for medium- to long-term growth despite upfront development costs

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



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10

Next is the Electronics & Energy Segment.

The electronic components market was generally favorable, which led to strong sales of NAGASE ChemteX products, especially epoxies and chemicals.

The YoY decrease in the manufacturing division was due to a large decrease at our overseas subsidiary.

In the past, this segment had the problem of being too dependent on display-related products.

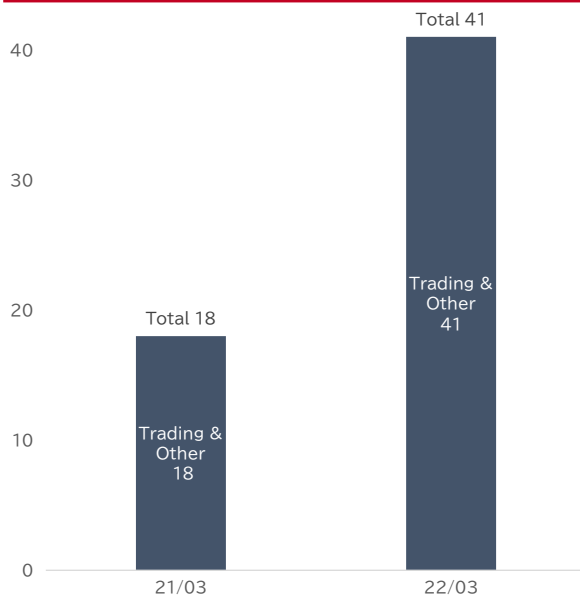
However, sales of semiconductor-related products have grown.

Although we still have some way to go, we are beginning to see results from next-generation telecommunications-related materials, such as for 5G applications and from home- and industrial-use energy storage systems using LiBs handled by our subsidiary CAPTEX CO., LTD.

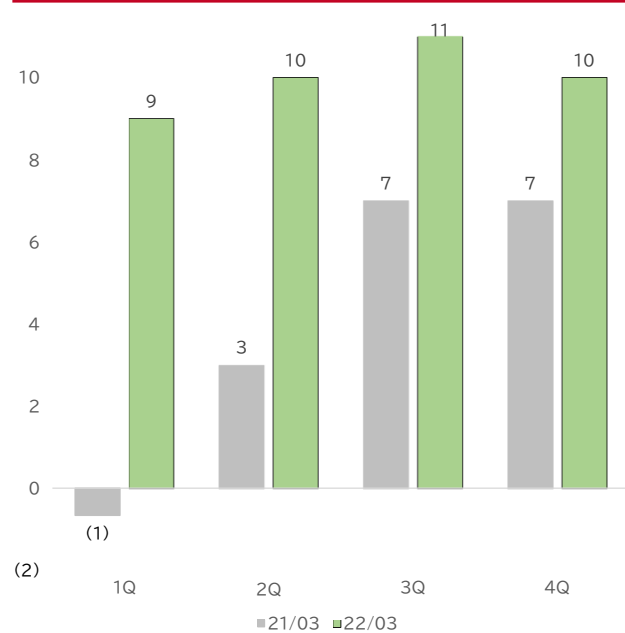
As a result, we have made a step forward in improving our overall portfolio.

- ▶ Sales increased in functional materials and functional components for EV interior and exterior fittings and electrification
- ▶ Profits increased significantly year-on-year due to a recovery in automotive production and rising market prices
- ▶ Profitability improved due to progress in business portfolio transformation, including increased sales of high-value-added products

Operating income by business(100 millions of yen)



History of operating income (100 millions of yen)



Next is the Mobility segment.

As you know, this segment grew significantly due in part to a significant cooling in automobile production in the previous fiscal year.

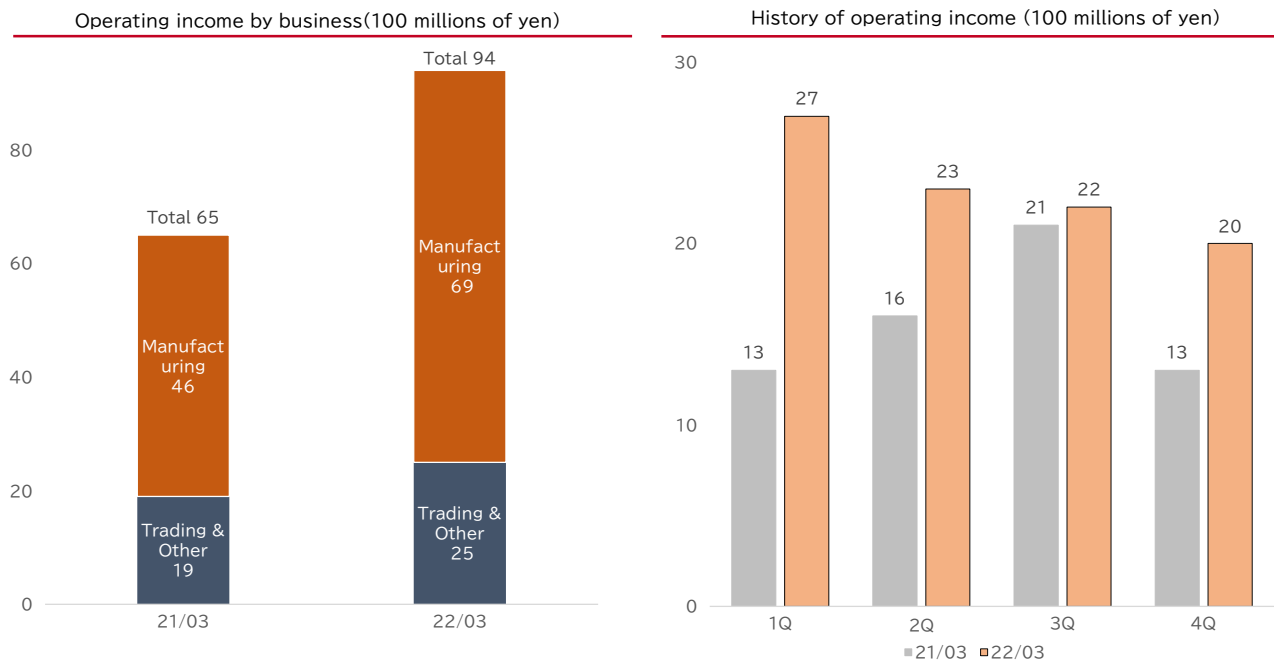
This segment is characterized by significant growth in sales of functional materials and components for EVs.

Furthermore, this segment is increasingly dealing with high-functional materials, rather than the traditional resin-centered business.

It can, therefore, be said that we are making progress toward improving profitability.

Life & Healthcare Segment Operating Income Overview

- ▶ Materials sales, manufacturing, and processing all trended strongly in the nutrition-related business, primarily focused on the Prinova Group
- ▶ Sales increased related to food materials, primarily TREHA™, in cosmetics materials, primarily AA2G™, and related to pharmaceutical raw materials and intermediates
- ▶ Profits increased significantly year-on-year ; the economic impact of the COVID-19 had been significant in the previous fiscal year, primarily in food materials and cosmetics-related material



Next is the Life & Health Care segment.

Although Prinova is the main driver of this segment, the performance of all activity areas in this segment, including food ingredients, cosmetics, and pharmaceutical intermediates, and raw materials, exceeded the previous year's level.

State of Major Manufacturing Subsidiaries

- ▶ Nagase ChemteX Corporation : Profits increased with strong sales related to formulated epoxy resins primarily for mobile devices and semiconductors, as well as for products like photolithography materials for displays
- ▶ Hayashibara Co., Ltd. : Profits increased with demand for the TREHA™ food material and with recovery in demand for the AA2G™ cosmetics material
- ▶ Prinova Group : Profits increased with continued strong sales of nutrition materials thanks to U.S. economic recovery as well as with recovery of manufacturing and processing

		100 millions of yen			
		21/03	22/03	Change	Vs.PY
Nagase ChemteX Corporation	Sales	259	289	30	112%
	Gross profit	80	89	8	110%
	Operating income	32	37	5	117%
Hayashibara Co.,Ltd.	Sales	236	265	29	112%
	Gross profit	100	108	7	107%
	Operating income	43	45	1	104%
	Goodwill amortization etc.	30	30	-	100%
	Operating income after amortization burden	12	14	1	115%
Prinova Group	Sales	866	1,209	342	140%
	Gross profit	163	218	55	134%
	Operating income	47	69	22	147%
	Goodwill amortization etc.	19	20	1	104%
	Operating income after amortization burden	27	49	21	177%

This section provides an overview of the performance of our major manufacturing subsidiaries.

At NAGASE ChemteX, sales of materials for 3D printers and electronics materials were strong. As a result, operating income was JPY3.7 billion, the highest since its inception after a four-company merger in 2001.

At Hayashibara, sales of mainstay products such as TREHA™ and AA2G™ recovered.

In addition, new products such as Fibryxa™, which have been on the market for several years, have begun to show results, albeit moderately.

Overall, performance has generally returned to pre-COVID-19 levels. However, soaring prices of corn and other raw materials are a cause of deteriorating business performance and are a matter of concern for the foreseeable future.

An update on the Prinova Group is on the next page.

Expand business in North America

- FY2021 acquisitions
Expand product lineup for ingredient sales ⇒ acquisition of **The Ingredient House** (sweetener distributor)
- Expand regional portfolio of processing centers and strengthening functions
⇒ acquired **Lakeshore Technologies**

PMI is on track and producing synergies, including the start of business with a major brand owner

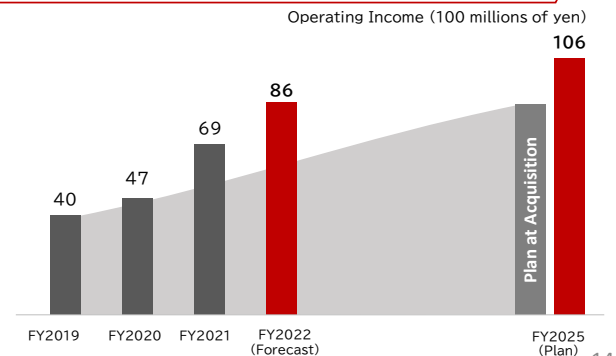
- Strengthen manufacturing and processing functions through new plant construction
Expand capacity of Armada (contract manufacturing) and Solutions (processing)
⇒ **New plant** to be built in Utah

Preparations underway and production scheduled to start in July

FY2022 Numerical Plan

- FY2021: Operating income of 6.9 billion yen due to strong sales of materials and recovery at Armada, which had been underperforming during fiscal 2020 due to COVID-19
- FY2022: Forecast operating income of 8.6 billion yen due to ongoing strong performance for the business as a whole, as well as higher sales stemming from the full-year contributions of two acquisitions and the effects of increased capacity
- Expect to achieve targets three years ahead of schedule compared to plans at the time of acquisition

* Forecast conversion rate (FY2022: 120.0 yen; FY2025: 108.7 yen)



This page is about Prinova.

Sales are growing very strongly, especially in North America.

As shown in the bottom row, we expect to achieve the profit target planned at the time of acquisition in FY2022, three years ahead of schedule.

Construction of the new plant in Utah has been delayed slightly due to personnel allowances and other factors but is expected to begin operations in July.

Consolidated Balance Sheets

- ▶ Current assets : Accounts receivable and inventories increased due to favorable performance (working capital increased)
- ▶ Net assets : Shareholders' equity increased due to the recording of profits for the fiscal year, despite payments of dividends, purchases of treasury stock, and a decline in market value of investments in securities
- ▶ NET D/E ratio : Increased to 0.33 with increase in short-term borrowings due to demand for funds from increased working capital

100 millions of yen

	21/03	22/03	Change	Details
Total current assets	4,017	5,142	1,125	
(Cash & time deposits)	492	542	50	
(Notes & accounts receivable)	2,425	2,898	473	
(Inventories)	972	1,575	602	
Total non-current assets	2,388	2,254	(134)	
(Investments in security)	937	756	(181)	
Total assets	6,405	7,397	991	
Current Liab.	2,061	3,078	1,016	Short-term loans/CP+570, Current portion of bonds+100
(Notes & accounts payable)	1,199	1,490	290	
Non-current Liab.	960	767	(192)	
Total Liab.	3,021	3,846	824	
Shareholders' equity	2,847	2,988	140	
Accum. other comprehensive income	449	454	5	Translation adjustments+126, Net unrealized holding loss on securities(118)
Non-controlling interests	87	108	20	
Total net assets	3,384	3,550	166	
Working capital	2,198	2,983		
Shareholders' equity ratio	51.5%	46.5%		
NET D/E ratio	0.23	0.33		

This is an overview of our balance sheet.

We strategically increased our inventories this fiscal year due to the considerable logistical disruptions, in addition to the expansion of our business, leading to a significant increase in inventories.

As a result, the demand for funds has increased, and our net D/E ratio increased to 0.33.

Consolidated Cash Flows

- ▶ Operating CF : Net cash used of ¥17.7 billion as working capital increased due to strong business performance
- ▶ Investing CF : Net cash used of ¥7.6 billion due to purchases of property, plant and equipment and the acquisition of stock of a subsidiary related to a corporate acquisition; offset in part by proceeds from sales of investments in securities
- ▶ Financing CF : Net cash provided of ¥27.2 billion, mainly due to a net increase in short-term loans in connection with an increase in working capital, offset in part by dividends and purchases of treasury stock

	100 millions of yen	
	21/03	22/03
Operating CF	203	(177)
Investing CF	26	(76)
Free CF	230	(254)
Financing CF	(258)	272
Effects of exchange rate changes on cash and cash equivalents	9	29
Net change in cash and cash equivalents	(19)	47
<hr/>		
Depreciation and amortization of tangible and intangible assets	133	136
Fixed asset investment	(128)	(169)
Change in working capital	(100)	(631)

This page explains our cash flows.

I will skip this page because later in the explanation of the medium-term plan, I will indicate the allocation of funds for the current fiscal year.

FYE March 2023 Earnings Projection

- ▶ Semiconductor and food-related businesses, which are the focus areas of medium-term management plan **ACE 2.0**, will continue to expand market share and maintain strong performance
- ▶ We expect the impact of COVID-19 on economic activities to be limited in response to the easing of regulations in various countries
- ▶ We expect sharp rises in oil prices and the chemical market, while supply chain disruptions are likely to continue to one degree or another
- ▶ Direct business with Russia and Ukraine is negligible and impact is limited
- ▶ Despite the many uncertainties in the external environment, we currently expect to record record-high profits for a second consecutive fiscal year

	100 millions of yen			
	22/03 Actual	23/03 Forecast	Change	Vs.PY
Gross profit	1,394	1,590	195	114%
SG&A expenses	1,042	1,210	167	116%
Operating income	352	380	27	108%
Ordinary income	364	390	25	107%
Profit attributable to owners of the parent	259	285	25	110%
US\$ Exchange rate (period average)	@ 112.4	@ 120.0		
RMB Exchange rate (period average)	@ 17.5	@ 18.5		

I would now like to report on our full-year earnings projection for FY2022.

At this time, we expect the spread of COVID-19 and the situation in Ukraine to have a limited impact on our business performance.

Although there are many other uncertainties, we believe that we can continue to expand our market share and maintain solid performance in the semiconductor and food-related fields, which we have positioned as priority areas in our medium-term management plan. In addition, we expect to enhance profitability in several areas as a result of portfolio improvements. For this reason, we have set targets of JPY38 billion in operating income and JPY28.5 billion in profit attributable to owners of parent.

I would like to make one more point regarding the impact of the Shanghai lockdown. Although there has been a slight impact on recent monthly results, we believe that the situation will gradually return to normal from June onward. We also do not expect any major impact on our full-year results.

FYE March 2023 Earnings Projection (By segment)

- ▶ We expect the resins business, centered on Advanced Materials & Processing and Mobility, to experience strong performance based on our projections of increased demand and ongoing high market condition levels
- ▶ We expect the semiconductor-related products business, centered on Functional Materials and Electronics, to experience strong performance based on our projections of strong demand, particularly for telecommunications applications
- ▶ We expect further growth in the nutrition-related business of the Life & Healthcare-related Prinova Group due to expanding consumption and rising health consciousness in Europe and the Americas
- ▶ We expect cost increases in Corporate & Others due to office relocation, etc.

100 millions of yen

		22/03 Actual	23/03 Forecast	Change	Vs.PY
Functional Materials	Gross profit	198	221	22	112%
	Operating income	78	83	4	106%
Advanced Materials & Processing	Gross profit	323	343	19	106%
	Operating income	108	117	8	108%
Electronics & Energy	Gross profit	297	325	27	109%
	Operating income	102	115	12	112%
Mobility	Gross profit	127	142	14	112%
	Operating income	41	44	2	106%
Life & Healthcare	Gross profit	447	557	109	124%
	Operating income	94	112	17	119%
Corporate & Others	Gross profit	1	2	0	168%
	Operating income	(72)	(91)	(18)	—
Total	Gross profit	1,394	1,590	195	114%
	Operating income	352	380	27	108%

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18

Here is our earnings projection by segment.

We currently expect robust YoY growth in each segment.

In the resin business, we expect profitability to decline slightly compared to the previous fiscal year, when prices were on an upward trend.

However, demand remains strong, and we expect further growth.

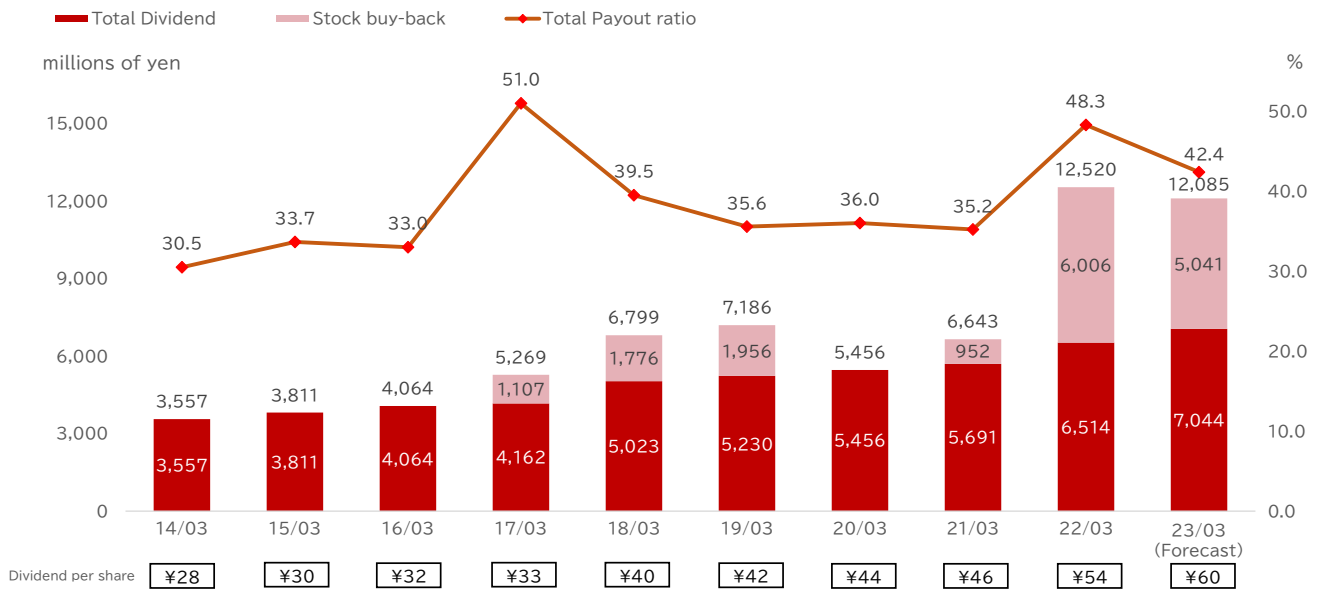
In August, NAGASE will move to a temporary building on Tokiwa Bridge due to the rebuilding of the Tokyo headquarters building.

We expect the negative figure for Corporate & Others to increase.

This is mainly due to an increase in relocation-related and development-related expenses.

Shareholder Returns

- ▶ Annual dividend increased from the originally planned ¥48 per share to ¥54 per share in response to strong performance
- ▶ As we expect strong earnings for FY2022, we plan to increase annual dividends per share by ¥6 to ¥60 per share (increase in dividends for an expected 13th consecutive fiscal year)
- ▶ We are proceeding as planned with the repurchase of ¥6 billion in treasury stock, as resolved in February 2022 (purchase period : February 2022 to February 2023)



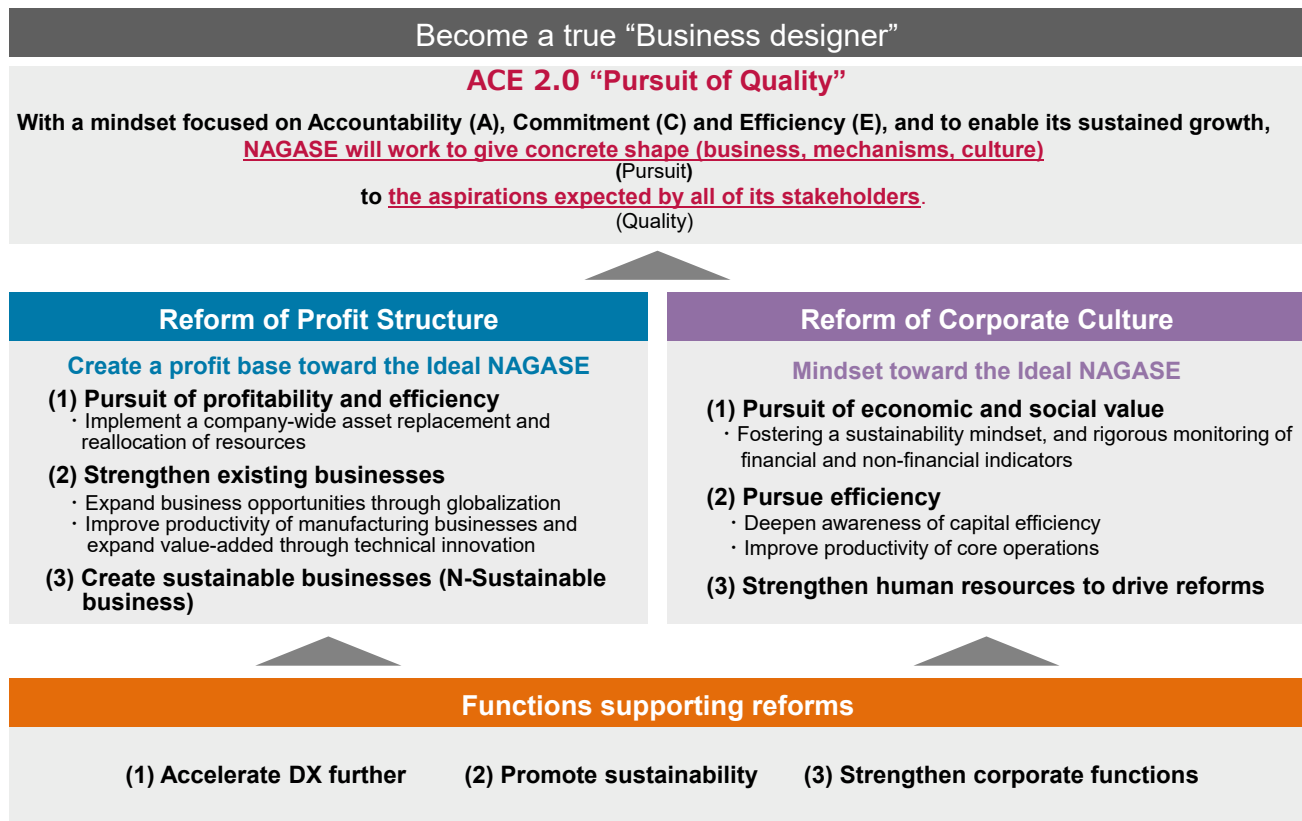
※ 22/03 year-end dividend to be submitted for approval to the 107th general meeting of shareholders scheduled for June 2022.

Next, I will explain about our shareholder returns.

As already announced, we plan to pay an annual dividend of JPY54 per share for the current fiscal year.

In addition, we plan to increase the annual dividend per share to JPY60 in FY2022.

Initiatives Under Medium-Term Management Plan **ACE 2.0**



I will now briefly explain the status of our medium-term management plan, **ACE 2.0**.

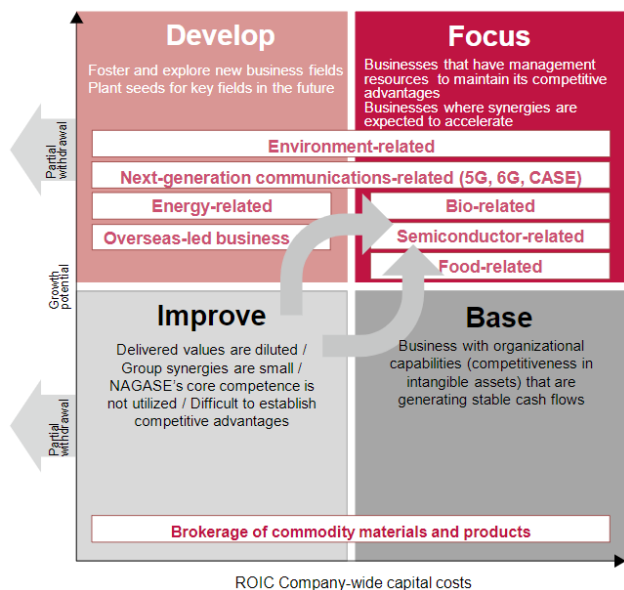
FY2021 was the first year of our medium-term plan, **ACE 2.0**.

On this page, we describe the basic policy of **ACE 2.0**.

We are currently implementing this plan with two pillars: reform of our profit structure, and reform of our corporate culture.

- ▶ Execute strategies according to four quadrants and accelerate shift of resources to Focus and Develop areas

Approach to Business Portfolio



Replace Businesses in Portfolio

- Divested consolidated subsidiary Kotobuki Kasei
- Withdrew from certain unprofitable and inefficient businesses

Expand Focus Area Business

- Semiconductor-related
 - Established Semiconductor Strategy Planning Team to accelerate group-wide efforts
- Food-related
 - Prinova Group growing faster than expected at the time of acquisition
 - ⇒ Expanding product lineup and strengthening manufacturing and processing capabilities through M&A
 - ⇒ Investing in expansion of contract manufacturing capacity

Invest in Start-Ups

- Investing in next-generation communications and new material development start-ups

Regarding the reform of our profit structure, I would like to report the events of FY2021.

As part of the replacement of our business portfolio, we sold subsidiaries and exited several businesses.

As shown in the diagram, each business is divided into the four areas of Develop, Focus, Base, and Improve.

In each of these areas, we are assessing whether to give the green light or red light.

In addition, we have strengthened R&D within the Group, including biotechnology, in Focus area, such as semiconductor-related, food-related, and environment-related fields.

Furthermore, we are actively collaborating with partners and investing in start-ups to develop new business opportunities.

▶ Strengthen the foundation supporting manufacturing business growth

Strengthen the management foundation of group manufacturing businesses

■ Strengthen and implement collaborations on safety, quality, and the environment within the Group Manufacturers’ Collaboration Committee

In addition to sharing information and engaging in discussions on safety and quality, the Collaboration Committee discusses policies and measures to achieve carbon neutrality in the manufacturing industry, shares information on DX activities within each manufacturing company, and pursues other initiatives to strengthen collaboration and implementation

■ Established Group Manufacturing Management Innovation Office

Created a new organization to enhance synergies and improve the business of group manufacturers through a high-level view of the manufacturing capabilities, production technology, R&D, quality control, engineering, investment evaluation, etc., of each manufacturing company from a business management perspective

Expand manufacturing business profits

■ FY2021 : Record-high operating income due to growth of the Prinova Group, Nagase ChemteX, etc.

■ FY2022 : We expect to achieve the **ACE 2.0** KPI of 20.0 billion yen

	(100 millions of yen)			
	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Forecast
Gross profit	396	475	546	668
Operating income	128	138	169	200

* Results calculated using simple sums

* Totals are based on classifications after the change in FY2021, which include the Prinova Group as a manufacturing company

Having a manufacturing division is one of the strengths of our group. This year, the Group Manufacturers’ Collaboration Committee discussed and shared information on safety, quality, and the environment.

Discussions also progressed on energy procurement and digital transformation-related issues. We believe this has certainly strengthened the management foundation of each company.

In FY2022, we plan to establish the Group Manufacturing Management Innovation Office and upgrade our management base from new aspects.

In numerical terms, we expect to achieve our medium-term KPI of JPY20 billion in operating income in FY2022, aided by the growth of Prinova and NAGASE ChemteX.

▶ Establish non-financial targets (KPIs) under **ACE 2.0**

Background Behind Non-Financial Targets (KPIs)

- The Ideal NAGASE of 2032: Business Designer that Creates a Sustainable Future
 - Toward achieving our vision
 - Important Stakeholders
 - Materialities (Key Issues)
to create values we want to provide to our stakeholders
- } Identify
- Set non-financial targets (KPIs) in the following two areas to evaluate and monitor initiatives quantitatively

Employee Engagement

To achieve sustainable growth of the NAGASE Group, we must increase engagement with employees—our important stakeholders—achieving a relationship between company (organization) and employee built on mutual respect and mutual motivation

- KPI -
- * Engagement survey implementation and scores

Carbon Neutrality

As part of our efforts to solve the materialities of social issues, environmental issues, and globalization, we must address and respond to climate change as a key issue

- KPI -
- * Greenhouse gas emissions reductions (Scope 1, 2 basis)

* See *NAGASE Group Sustainability* for specific targets

Next, I will explain our efforts to reform our corporate culture.

In **ACE 2.0**, our goal is to increase both economic and social value. This fiscal year, we set and announced non-financial targets, albeit, a year later than the financial targets. We will discuss employee engagement and carbon neutrality in more detail later in the section of the presentation on sustainability.

Reduce cross-shareholdings ACE 2.0 Target :30.0 billion yen cumulative reduction

	FY2020		FY2021	· FY2021 49 companies (including partial sales of holdings)
Number of holdings (companies)	180 <small>Listed 130 Unlisted 50</small>	→ (43) →	137 <small>Listed 85 Unlisted 52</small>	7.8 billion yen reduction
Balance at end of period (100 millions of yen)	816 <small>Listed 773 Unlisted 43</small>	→ (184) →	632 <small>Listed 593 Unlisted 38</small>	⇒ Progress: 26% toward target
Percentage of net assets	24.1%		17.8%	· FY2022 Plan to continue reductions

Expand Shareholder Returns ACE 2.0 Policy :Continued dividend increases + share buybacks to a maximum equivalent of cross-shareholdings sales

	FY2021 Results		FY2022 Forecast	· FY2021 Dividends per share (planned) 54 yen/share (8 yen increase)
Dividend per share (yen) (interim + year-end)	54 <small>(24+30)</small>		60 <small>(30+30)</small>	· FY2022 Dividends per share (planned) 60 yen/share (6 yen increase) Expected 13th consecutive dividend increase
Share buybacks (100 millions of yen)	60		50	· February 2022 Resolved to conduct 6.0 billion yen in share buybacks

The next three pages show the current status of various indicators for improving capital efficiency, as set forth in the medium-term plan.

We reduced our Cross-Shareholdings by JPY7.8 billion in 49 companies this fiscal year.

As for shareholder returns, we are expanding shareholder returns in line with the policy set forth in our medium-term management plan.

► Improve efficiency

- ROE increased to 7.7%, close to the target of 8.0% in the final year of **ACE 2.0**
- WACC decreased by 0.2% due to an increase in the ratio of interest-bearing debt to equity
- ROIC rose 1.1%, despite an increase in invested capital, due to improved profitability and gain on sales of cross-shareholdings

	FY2020	Change	FY2021	FY2025 Target
ROE	5.9%	+1.8%	7.7%	8.0% or higher
WACC	5.7%	(0.2%)	5.5%	5.0% or lower
ROIC	4.2%	+1.1%	5.3%	5.0% to 5.5%
NET D/E Ratio	0.23	+0.1	0.33	0.5 or lower
Net assets (100 millions of yen)	3,384	+166	3,550	
Interest-bearing debt (100 millions of yen)	1,189	+475	1,665	

We are approaching our FY2025 targets for each of the indicators on this page, due in part to strong performance.

This fiscal year, we recognize the importance of making these figures the norm and are working to make further improvements.

► Cash Allocation

- Cash inflow of 52.5 billion yen before deducting changes in working capital and investments (expenses) for DX, R&D, etc.
- Cash outflow of 85.8 billion yen due to working capital (stemming from strong financial results), DX and R&D expenses, and other growth investments, etc.
- Share buybacks leveraging cash inflows from cross-shareholdings sales, increased dividends due to strong financial results combined for 12.4 billion yen in shareholder returns

100 millions of yen

Cash inflow		Cash outflow	
*Operating CF after adjustments	525	Dividends and share buybacks	124
Proceeds from sales of cross-shareholdings, etc.	92	Investment in DX, R&D, etc.	71
Proceeds from change in interest-bearing debt	401	Increase in working capital	631
Other income	7	Other growth investments, etc.	156
		Other expenditures	25
Total cash inflows	1,026		1,008

* Operating CF excluding the impact of changes in working capital, DX and R&D costs recorded as expenses, etc.

Finally, the allocation of funds for the current fiscal year is shown here.

Before deducting working capital and development costs, we had a cash inflow of JPY52.5 billion.

On the other hand, working capital, R&D expenses, and investments in the Manufacturing Division resulted in a cash outflow of JPY85.8 billion.

We plan to continue to invest aggressively for the future, including digital transformation-related investments.

This concludes my section of the presentation.

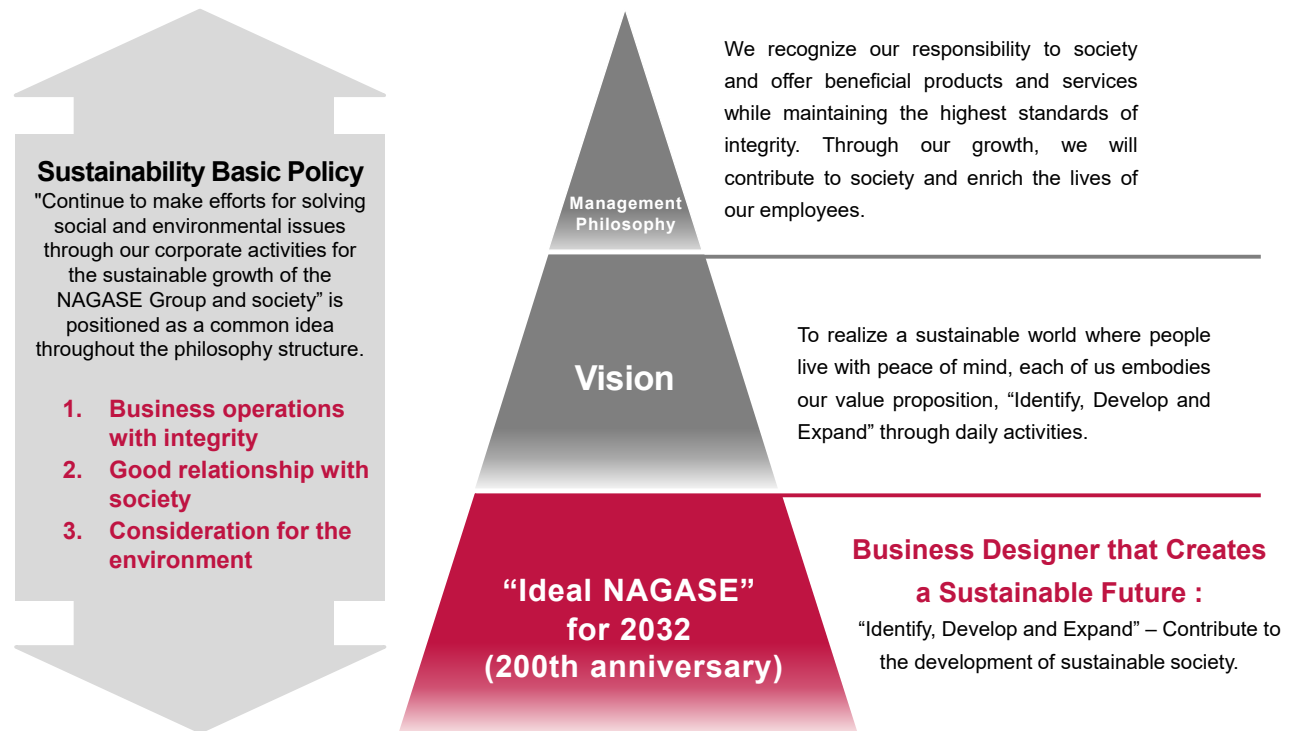
We will now move on to the section on NAGASE Group sustainability, which will be presented by General Manager of Corporate Sustainability Department, Sagawa.

NAGASE Group Sustainability

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General Manager of Corporate Sustainability Department, Sagawa will now begin his presentation.

Sagawa: I am Sagawa from the Corporate Sustainability Department. I would like to explain about NAGASE Group sustainability.



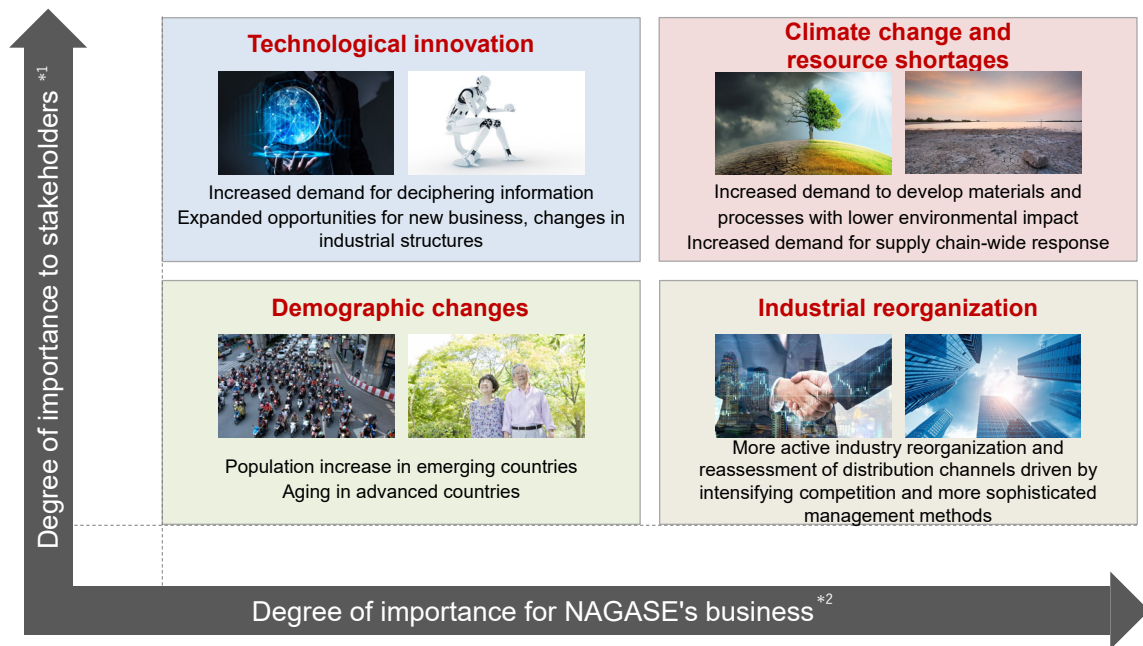
First, we established the Management Philosophy as a superordinate concept of the NAGASE Group common values.

Then, we set forth our vision and aspirations for 2032, the 200th anniversary of our founding.

In addition, we have established the Basic Sustainability Policy. The Basic Sustainability Policy is a common concept that applies to all of our philosophy system.

Our Recognition of External Environmental Changes

The most important matters for both NAGASE and its stakeholders are “technological innovation”, “climate change and resource shortages”, “demographic changes”, and “industrial reorganization”



*1 Assessed as important matters that produce great change to the respective needs of employees, business partners, local communities, consumers, and shareholders.

*2 Assessed as important matters that offer opportunities for new businesses, opportunities for existing businesses, threats to existing businesses, and threats to business continuation.

Next, in formulating medium-term management plan **ACE 2.0** announced in May 2021, the NAGASE Group analyzed the external environment and identified technological innovation, climate change, resource scarcity, demographic change, and industrial structural reform as the most important issues for both NAGASE and its stakeholders.

Materiality (Key Issues)

	Delivered Values	Materiality	Related SDGs
Employees	<ul style="list-style-type: none"> Provide a safe and friendly work environment. Provide a cheerful, happy, and engaging workplace. Create a corporate Group that is a sense of pride for employees and their families. 	<p>[Use diverse human resources; offer a workplace environment and corporate culture]</p> <ul style="list-style-type: none"> Use advanced technologies to improve productivity and leverage diverse human resources. Provide a workplace environment and foster a corporate culture as a Group where employees with diverse backgrounds have mutual respect and motivate each other. 	
Business Partners	<ul style="list-style-type: none"> Establish a cooperative relationship by gaining deep understanding of business partners, which enables pursuit of a wide range of possibilities. Provide solutions to issues that need to be tackled throughout the value chain as well as social issues. 	<p>[Use of state-of-the-art technology to create new value]</p> <ul style="list-style-type: none"> Create new value leveraging advanced technologies and a network of business partners. Provide a wide range of solutions based on understanding the true causes of the increasingly complex problems of business partners. 	
Society and Consumers	<ul style="list-style-type: none"> Contribute to the development of the local community through legal compliance and ethical management. Consider the rights, health and comfort of everyone involved in the supply chain. Provide products and services towards realization of a sustainable world. 	<p>[Solving Social and Environmental Issues, and Globalization]</p> <ul style="list-style-type: none"> Solve problems that threaten safety and security, e.g., climate change and food and water shortage. Contribute to securing and improving food safety by utilizing biotech, AI and other advanced technologies. Fulfill health maintenance demands due to increasingly aging societies in advanced countries. Contribute to the acceleration of globalization and solve social issues in each region. 	
Share holders	<ul style="list-style-type: none"> Foster trust and a sense of security through a highly transparent management structure and timely and reasonable information disclosure. Maximize enterprise value by increasing both economic and social value and through continuous business creation. 	<p>[Corporate Governance]</p> <ul style="list-style-type: none"> Establish a highly transparent corporate governance system. Make sustainable improvement of enterprise value by balancing economic value and social value. 	

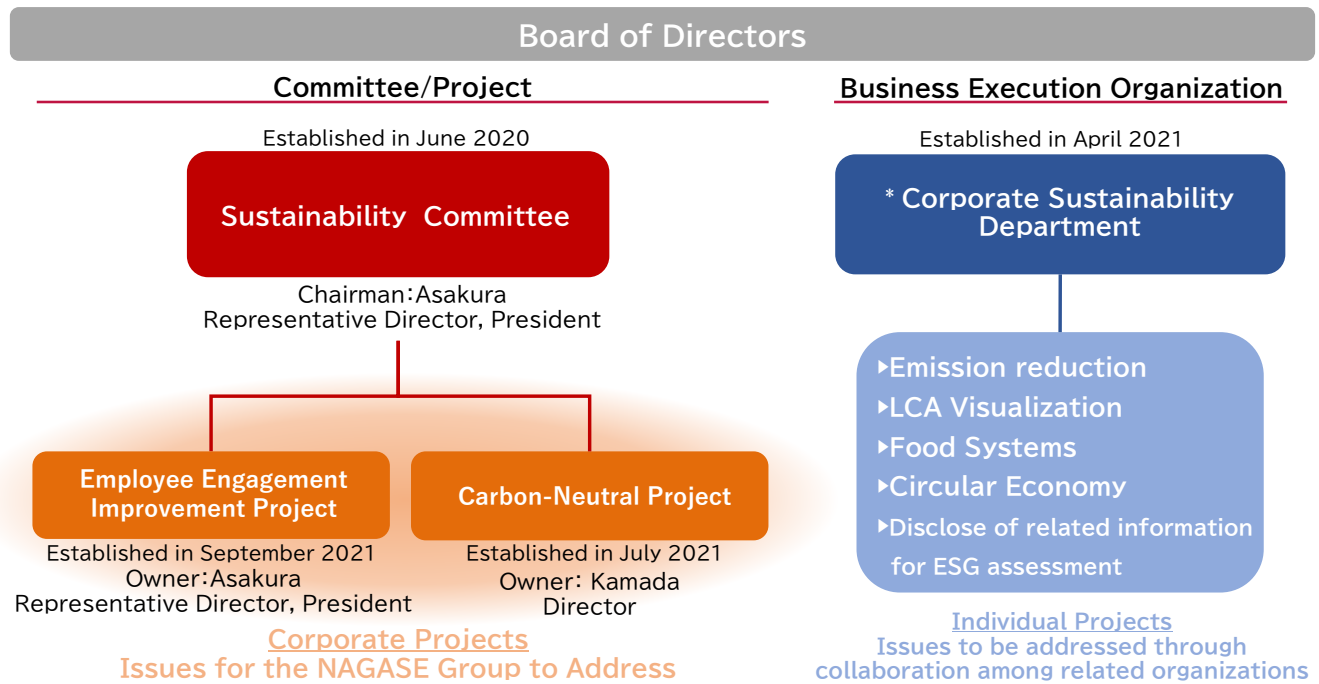
Next, in light of these changes in the external environment, we have identified the following key sustainability issues, or materialities, toward realizing our aspirations for 2032.

These are based on NAGASE key stakeholders, and the values we want to provide to each stakeholder.

We will contribute to the realization of a sustainable society through the following efforts: providing a work environment and corporate culture that makes the most of diverse human resources; creating new value by utilizing cutting-edge technologies; and addressing social and environmental issues, globalization, and corporate governance through our core business.

Sustainability Advancement Structure

- Establish a structure to advance sustainability throughout the group
- Launch the Employee Engagement Improvement and Carbon-Neutral Projects as a corporate projects



* Effective April 1, 2022, the Corporate Communication Department was renamed the Corporate Sustainability Department and placed under the direct control of the representative director, president.

Next, I will explain the Group sustainability promotion system.

We established Sustainability Committee in June 2020. The committee is chaired by President Asakura, and committee members were appointed by the president from the executives of the Company or the Group.

In its first year, the Committee established a basic sustainability policy, and in its second year, FY2021, the Committee decided that the two most important issues to be addressed by the entire group were improving employee engagement and carbon neutrality.

The Committee then launched a corporate project to formulate our respective non-financial targets. The Employee Engagement Project is supervised by President Asakura, and the Carbon Neutral Project is supervised by Director Kamada, who is in charge of overall sales operations.

In April, we renamed Corporate Communication Department to Corporate Sustainability Department, which now reports directly to the president. The main task of the Sustainability Promotion Division is to prepare tools and create mechanisms for the entire NAGASE Group to promote sustainability activities.

The division also works with related organizations to promote individual projects.

Non-Financial Target (1): Improve Employee Engagement

Ideal NAGASE (Long-Term)	Values we want to provide to stakeholders	[Employees] <ul style="list-style-type: none"> • Provide a safe and friendly work environment • Provide a cheerful, happy, and engaging workplace • Create a corporate group that is a sense of pride for employees and their families
	Materialities (Key Issues)	[Use diverse human resources; offer a workplace environment and corporate culture] <ul style="list-style-type: none"> • Use advanced technologies to improve productivity and leverage diverse human resources • Provide a workplace environment and foster a corporate culture as a group where employees with diverse backgrounds have mutual respect and motivate each other
Ideal NAGASE (Medium-Term)	ACE 2.0 Non-financial targets (KPIs)*	Group companies : Percentage of companies conducting regular engagement surveys 100% NAGASE (non-consolidated) : Engagement survey score of 60 or more
	Initiatives and policies	Talent management, health management, work-style reform, Diversity & Inclusion, HR policy
Single-year results (Short-Term)	Results	Implemented engagement survey; engaged in work-style reform (started Project Bridge, eliminated dress code)
	Disclosures	[Number of employees (non-consolidated)] Number (percentage) of male and female employees, number (percentage) of non-regular employees, percentage of employees with disabilities, number of mid-career hires [Work-style (non-consolidated)] Rate of new graduates retained after three years, turnover rate for personal reasons, average years of service, average annual salary, total annual hours worked, rate of paid leave taken, number of employees taking maternity and childcare leave, number of employees participating in human resource development training, total hours of training [Safety and health (non-consolidated + domestic manufacturing companies)] Number of work-related accidents, number of fatalities, frequency rate, frequency of work-related accidents, number of employees participating in training related to health and safety

* Prinova Group calculated as a single company.
* FY2021: Implemented by 41% of group companies (including 24 companies with one-time implementation) NAGASE (non-consolidated) engagement survey score was 52.4.
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We have set non-financial goals for our two corporate projects.

We see the improvement of employee engagement as the highest priority issue to be addressed.

The upper rows show our long-term aspirations, and the middle rows describe our aspirations in medium-term management plan **ACE 2.0**.

As our action targets and KPIs, shown in the middle rows, we aim to have the entire group conduct surveys on a regular basis.

On a non-consolidated basis, we aim to achieve a survey total score of 60 or higher.

The bottom rows show the results for FY2021.

An engagement survey was conducted at the parent company to understand the current situation and formulate improvement measures. The total score was 52.4.

We also established guidelines for the implementation of surveys related to top management initiative and transparency. The entire group will steadily implement measures in accordance with these guidelines.

Non-Financial Target (2): Carbon Neutrality



Ideal NAGASE (Long-term)	Values we want to provide to stakeholders	[Society and Consumers] <ul style="list-style-type: none"> Contribute to the development of the local community through legal compliance and ethical management Consider the rights, health and comfort of everyone involved in the supply chain Provide products and services towards realization of a sustainable world where people live with peace of mind
	Materialities (Key Issues)	<ul style="list-style-type: none"> Solve problems that threaten safety and security, e.g., climate change and food and water shortages Contribute to the acceleration of globalization and solve social issues in each region
Ideal NAGASE (Medium-Term)	ACE 2.0 Non-financial targets (KPIs)	Consolidated : Scope 1 and 2 reduction rate of 37% or more (compared to 2013) Consolidated : Reduce emissions through the generation or purchase of renewable energy of 35,000 tons or more (cumulative total) NAGASE (non-consolidated) : Scope 2 Zero emissions
	Initiatives and policies	Overall Measures : Participation in external initiatives, promote environmental investing, examine internal carbon tax Visualization : Visualize emissions in the supply chain, calculate the LCA of strategic products Reductions : Provide low-carbon products and reduction solutions; adopt environmentally friendly facilities Improve production process, utilize renewable energy (purchase, generate renewable energy in-house)
Single-year results (Short-Term)	Results	Declaration of carbon neutrality, declaration of support for TCFD, business alliance with ZeroBoard Inc. began calculating LCA for domestic manufacturing subsidiaries
	Disclosures (results only)	[Consolidated] <ul style="list-style-type: none"> Greenhouse gas emissions (Scope 1, 2, and 3) Greenhouse gas Scope 1 emissions by type Energy consumption, electricity consumption, consumption rate during production (t-CO₂/ton of production)

In terms of our other non-financial goal, which is to achieve carbon neutrality, the chemical industry and other industries are under pressure to take action.

In this context, we recognize that the achievement of carbon neutrality is an urgent issue that we must address.

We have started our efforts with the conviction that NAGASE Group will always work to achieve this goal, regardless of the industry or sector we are involved in, whether it be trading or manufacturing.

As a non-financial target for FY2025, we have set consolidated Scope 1 and Scope 2 emissions reduction target of at least 37% compared to the FY2013 level.

We have also set a reduction target attributable to the generation and purchase of renewable energy within the Group.

Furthermore, at the parent company, we aim to achieve zero emissions on a Scope 2 basis.

[NAGASE Group Carbon Neutral Declaration]

2050 Target: Scope 1, 2 Carbon Neutrality

2030 Target: Scope 1, 2 46% reduction (compared to 2013 levels)

Scope 3 12.3% or more reduction (compared to 2020 levels)

[Overall Group]

Overall Measures

- Participate in external initiatives
- Promote environmental investing
- Examine internal carbon tax

[Trading]

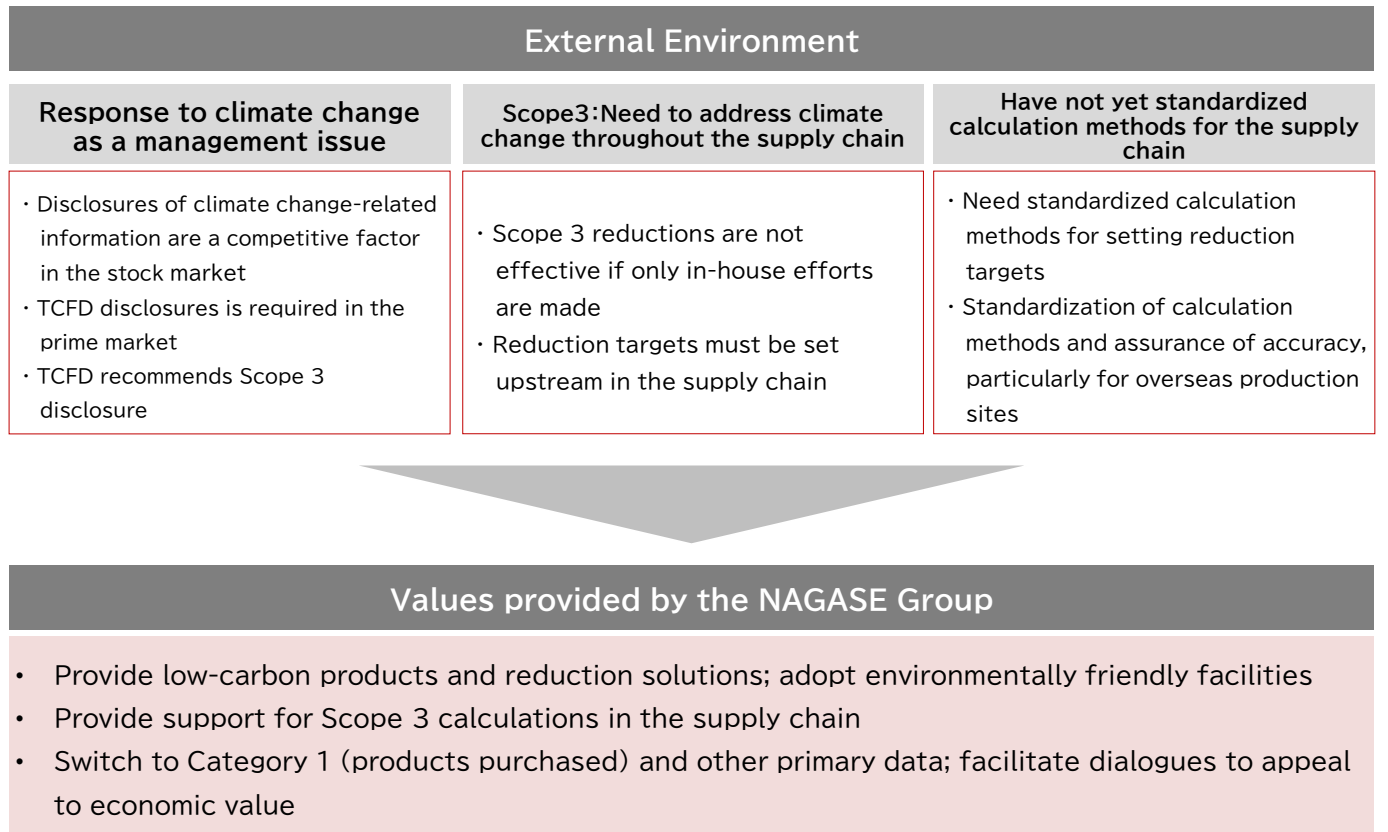
[Manufacturing]

Measure (1) Visualize emissions in the supply chain, etc.	Visualization	Measure (2) Life-cycle assessments for strategic products, etc.
Measure (3) Provide low-carbon products and reduction solutions, Introduce green facilities, etc.	Reduction	Measure (4) Improve manufacturing processes, use renewable energy (purchase/in-house generation), etc.

In January, we also made a carbon neutral declaration to achieve virtually zero GHG emissions by 2050. The targets are as you can see. Our Scope 1 and Scope 2 targets are consistent with government targets.

In addition, as a trading company, we consider visualization and reduction of emissions in our supply chain as our raison d'être and have set a Scope 3 target.

Furthermore, the NAGASE Group is characterized by a large portion of manufacturing and processing functions in addition to trading company functions. For this reason, we have categorized the overall measures and the measures for each business category, consisting of measures one through four into four quadrants on two axes: trading business and manufacturing business, and visualization and reduction. We are working to materialize these measures and achieve our goals.



I was in charge of the plastics business until this past March. The plastics industry is in urgent need of decarbonization, and I have felt this firsthand, as we have been working on this issue.

The pressure on companies to reduce GHG emissions and to disclose their GHG reduction efforts is increasing by the day, and I feel that we must further increase our awareness of and commitment to this issue. In fact, companies listed on the prime market are now even required to disclose Scope 3 emissions in line with the TCFD recommendations. However, the requirements for Scope 3 are difficult to resolve solely through in-house efforts. Coordination along the supply chain will be necessary.

However, there is currently no unified method for calculating CO2 emissions. Therefore, we are strengthening our efforts to support decarbonized management with each supplier while leveraging our strength in being able to approach the supply chain from upstream to downstream.

I will explain the details later, but through these activities, we have more opportunities for dialogue and conversation with the corporate members of our business partners with whom we had no previous contact. While listening to their management issues, we have promoted our activities based on the belief that it is our mission and role as a top company in the chemical industry to propose and lead, not only calculations and visualization, but also solutions and facilitation for emission reductions.



Zeroboard Inc. and NAGASE & CO., LTD. Enter Business Alliance for Expansion of CO2 Visualization Service Supporting Decarbonization of Companies Through Technology and a Trading Firm Network

Zeroboard Inc. and NAGASE & CO., LTD. have agreed on a business alliance for sales and expansion of zeroboard, a cloud service developed by Zeroboard Inc. for calculating and visualizing CO2 (carbon dioxide) emissions to support the decarbonization of companies.

Zeroboard Inc. will develop and improve zeroboard, and manage its database, while NAGASE will sell the service mainly to the chemical industry, collect information on customer needs, and develop and provide CO2 emissions reduction solutions.



- Data linkage between user companies
- Calculate CO2 emissions (Scope 1-3) based on the GHG Protocol through simple data entry
- Reporting functions for integrated reports and environmental regulations
- Monthly fee structure matching different company sizes

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37

As a specific initiative, in September 2021, we entered into a business alliance with Zeroboard Inc. to develop a cloud service business for calculating and visualizing CO2 emissions.

Currently, we are promoting this initiative across all of our business divisions. This cloud service is characterized by low cost of implementation, easy operational input, and the ability to calculate up to Scope 3 emissions based on the GHG protocol.

This service has reporting functions for integrated reports and environmental laws and regulations, and we plan to expand its use mainly in the chemical industry by utilizing NAGASE's domestic and overseas networks.

However, competition in this video distribution service is intensifying due to the entry of domestic and foreign companies, and we must make focused efforts in the current fiscal year. To this end, we are strengthening our activities by bringing in additional personnel from each of our divisions in addition to our existing resources.

[New Evaluations]



FTSE Blossom
Japan Sector
Relative Index

Selected as a component of
the FTSE Blossom Japan
Sector Relative Index



Group company
Hayashibara awarded the
EcoVadis Gold Medal

[CDP Ratings]

CDP SUPPORTER 2021		FY2018	FY2019	FY2020	FY2021
	Climate	D	C	B	B
Water	C	C	B	A-	
Forest	Forest: not scored	C-	C	C	

[Endorsed Initiatives and Third-Party Evaluations]



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



Network Japan
WE SUPPORT



UNITED NATIONS
FOOD SYSTEMS
SUMMIT 2021



2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)



At NAGASE, we endorse the initiatives of the United Nations and NPOs, and we are in dialogue with ESG evaluation organizations to correct our sustainability action policy.

In recent years, the external evaluation of our environmental initiatives has steadily improved.

In 2021, we were selected as a component of the FTSE Blossom Japan Sector Relative Index.

Furthermore, Hayashibara, our group company, was awarded the Gold Medal by EcoVadis.

We will continue to strengthen our engagement with external initiatives and evaluation organizations. Not limiting ourselves to environmental assessment, we will also continue our activities to maximize the value we provide to our stakeholders through sustainability.

This concludes our presentation.



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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of May 27, 2022. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.