

## **Status of Dialogues with Shareholders and Investors**

NAGASE announced the following information on the status of dialogue with shareholders and investors in FY 2022.

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- (1) Basic Policy on Dialogues
  - (2) Overview of Shareholders and Investors with Whom Dialogues Were Held and Total Number of Dialogues
  - (3) Matters of Interest to Shareholders and Investors
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### **(1) Basic Policy on Dialogues**

(Basic policy)

NAGASE basic policy is to conduct constructive dialogue with shareholders and investors that contributes to sustainable growth and corporate value improvement over the medium- to long-term. Opinions received through dialogue are reported to management at meetings of the Board of Directors and the Group Management Committee. Our investor relations department works with a wide range of internal departments to appropriately respond to these opinions, such as through holding regular meetings.

(Correspondents)

We designate the director in charge of the Corporate Management Department as the director in charge of investor relations and established an investor relations department within the Corporate Management Department. The director in charge of investor relations and the investor relations department play a central role in dialogues. We also offer meetings with the president, the Sustainability Office, and Executive Officers in charge of each business unit, depending on the individual needs of shareholders and investors.

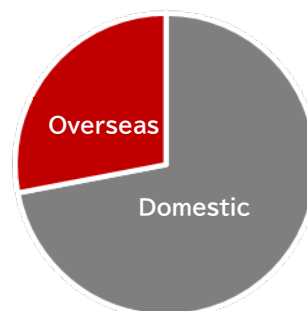
### **(2) Overview of Shareholders and Investors with Whom Dialogues Were Held and Total Number of Dialogues**

(Summary of shareholders and investors with whom dialogues were held)

NAGASE provides opportunities to have dialogues with the individuals listed below to reduce gaps between market and company perceptions, as well as to provide feedback from the market to management for use in corporate management.

## Percentage by Region of Domestic and Overseas Institutional Investors, Etc. With Whom 1on1 meetings were Held

- Portfolio managers
- Buy-side analysts
- Sell-side analyst
- Exercisers of voting rights
- Credit analysts
- Individual investors



(Total number of dialogues)

Event	Times Held
Financial briefings (first half, year-end)	2
1on1 meetings with domestic and overseas institutional investors, etc.	93
Company briefings for individual investors	2
Participation in conferences held by securities companies	1

### **(3) Matters of Interest to Shareholders and Investors**

The following is a list of items that are recognized as being of particular interest during 1on1 meetings (as of the December 19, 2023 disclosure).

(Growth strategy)

#### **Questions received**

- What are the focus businesses and areas under Medium-Term Management Plan **ACE 2.0**?
- Where are the investment targets for growth investments of 100-150 billion yen?
- Is the field expected to grow the manufacturing sector?
- Will you utilize M&A or grow organically?

#### **Company policy**

Medium-Term Management Plan **ACE 2.0** concentrates our resources in our manufacturing functions, where we have pricing authority and can steadily improve profitability. In particular, the plan focuses on the food, semiconductor, and life science fields, where we leverage our strengths and expect growth. The company will take on new challenges in businesses that will become future sources of revenue, such as R&D (biotechnology), new businesses, and the Global South, an area of growth. In addition, we will carefully select areas that are truly necessary, in both Focus and Develop businesses, and make investments through M&A and other means.

(Reviewing businesses in portfolio)

#### **Questions received**

- Are you withdrawing from the Improve Area?
- In what direction are the measures contributing to ROIC improvement going?

### Company policy

NAGASE aims to reduce our range of losses to one tenth by FY2025 in the following three areas: (1) operating and equity losses of operating subsidiaries and affiliates, (2) impairment losses, and (3) unprofitable transactions. We began identifying targets, formulating and implementing improvement plans, and/or considering withdrawal. In addition, throughout **ACE 2.0** (-FY2022), we considered the best owner principle and sold shares of Setsunan Kasei Co., Ltd., Kotobuki Kasei, and Daitai Kako Co., Ltd.

In addition to our efforts in the Improve business mentioned above, we will pursue improved scales and efficiency as a trading company, a fundamental area of NAGASE, and generate more cash. At the same time, we will concentrate the high-value-added information obtained through sales activities into our Focus and Develop businesses. In doing so, we will expand businesses with that are particularly high in efficiency and growth potential, thereby improving ROIC as a whole.

(Policy for Shareholder Return)

### Questions received

- Do you have any target of total return ratio?
- Are all proceeds from the sales of strategic cross-shareholdings used to return profits to shareholders?
- Will you establish a dividend payout ratio or dividends on equity (DOE) as a measure of shareholder return?

### Company policy

We have not defined any quantitative indicators such as total return ratio, DOE, and dividend payout ratio. Throughout Medium-Term Management Plan **ACE 2.0**, our shareholder return policy is to continue to increase dividends and implement share buybacks in a flexible manner. To improve capital efficiency, it is important to control capital appropriately and improve the profitability of our business. We plan to first execute **ACE 2.0** to ensure a constant ROE of 8%.

We intend to reduce strategic cross-shareholdings by 30.0 billion yen during **ACE 2.0**. As for funds obtained through the sales of these shareholdings, we will consider applying proceeds if there is a demand for funds beyond the growth investment of 100-150 billion yen. If no such demand is present, we intend to use proceeds to purchase treasury stock. We conducted share buybacks of approximately 12.0 billion yen in company shares in the two years through FYE March 2023. We also resolved to buyback 8.0 billion yen in company shares in FY2023.

(Human capital)

### Questions received

- What is the status of your efforts in women's advancement, hiring foreign national employees, and inclusion.
- In regards to setting a target for the ratio of women in managerial roles, what is the current ratio, what is a realistic target to set, and what is your status on considering disclosure?

**Company policy**

NAGASE believes that diversity is a critical topic in management, especially in the creation of an environment that enables women to play an active role. While our company has a low ratio of women in managerial roles, we are actively recruiting female new graduates and career hires in an effort to increase female population. We are also seeing an increase in the number of female career hires taking on managerial roles. Currently, the annual number of new hires and career hires are equal. The head of research at our head office is a foreign national woman, we have one female outside director, and we are appointing women and foreign nationals as executive officers.

Many areas of our diversity and inclusion efforts are still lacking. However, we are implementing various measures, focusing on how to incorporate new senses, cultures, and ways of thinking, rather than relying on the fixed NAGASE traditional culture. Going forward, we intend to appropriately disclose our progress towards these goals.

(Sustainability)

**Questions received**

- Who is responsible for encouraging sustainability, internal or outside directors?
- How do you implement the engagement score?

**Company policy**

NAGASE engages in sustainability activities backed by the strong will of our internal directors and led by the president, while also utilizing the diverse experience and knowledge of outside directors.

In regard to the key topic of carbon neutrality, the NAGASE Group engages as both a trading company and as a manufacturer. In this context, we endeavor to achieve carbon neutrality by categorizing operations into four quadrants along two axes: trading company/manufacturing and visualization/reduction. We also work towards carbon neutrality under the NAGASE Group Carbon Neutral Declaration consisting of general measures and measures (1) through (4). Our mission is to be *a company whose mission is to solve manufacturing issues through materials*, and we aim to achieve a sustainable society by solving social issues and fulfilling consumer needs. We conduct surveys to grasp current engagement levels, formulate improvement initiatives, and measure effectiveness. At the same time, we also work to raise the level of group-wide engagement by creating various opportunities for dialogue between management and employees, and horizontally deploying measures that have led to improved engagement in each organization throughout the group.

**(4) Feedback to Management**

We regularly provide feedback from shareholders and investors to the Board of Directors and the Group Management Committee.

	No. of Reports
Reports at Board of Directors meetings	4
Reports at Group Management Committee meetings	2

\*In addition to the above meetings, feedback is also provided to each division and other departments as necessary.

**(5) Examples of Leveraging Shareholder and Investor Feedback**

We provide feedback from shareholders and investors to management. After discussion with relevant internal departments, we then utilize this feedback in management as necessary. Specific examples are as follows.

(Examples)

- Disclosed ROIC and WACC indicators in the medium-term management plan.
- Reviewed external disclosure materials
  - Refined contents of financial results (topics, etc.)
  - Disclosed Q&A and scripted materials for financial results briefings etc.

**Contact for Inquiries on Investor Relations**

For inquiries on investor relations, please contact us through the following webpage.

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

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