

May 8, 2025

To Whom It May Concern

Company Name: NAGASE & CO., LTD.
 Representative: Hiroyuki Ueshima,
 Representative Director,
 President and CEO

 Stock Exchange Listings: Tokyo (Prime Market) Code 8012

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Notice Concerning Revision of Compensation for Directors and Executive Officers

At a meeting held May 8, 2025, NAGASE & CO., LTD. ("NAGASE" or the "Company") Board of Directors resolved to revise compensation for directors (excluding outside directors and Audit & Supervisory Board members; "Directors," below) and executive officers as outlined below. This revision is subject to shareholder approval of the proposals regarding the introduction of a performance-linked stock compensation plan and the maximum compensation amount for Directors at the 110th Annual General Meeting of Shareholders scheduled for June 18, 2025.

1. Executive compensation policy

The NAGASE Group is committed to solving manufacturing issues through materials, building on the relationships of trust with stakeholders fostered through activities conducted with the highest standards of integrity. The Group aims to contribute to business not only in the short term but also over the medium to long term, pursuing the realization of a sustainable world where people live with peace of mind in an era where economic value and social value are increasingly intertwined. NAGASE newly established the following policy regarding the compensation of internal Directors and executive officers, who serve as the driving force behind achieving these goals. Based on this policy, the Company designed a specific compensation system.

Earnings and corporate value enhancement	Recruitment and retention of skilled human capital	Ensuring accountability
<ul style="list-style-type: none"> Offer compensation system that drives the achievement of the following strategies and supports sustainable corporate value creation <ul style="list-style-type: none"> Linking compensation to shareholder value Pursing short-term and medium- to long-term growth and efficiency Balancing economic and social value 	<ul style="list-style-type: none"> Offer competitive compensation system and compensation levels to attract and retain diverse, skilled human capital capable of accelerating business transformation Offer compensation levels that encourage the growth and development of the next generation of management leaders 	<ul style="list-style-type: none"> Maintain a transparent and objective compensation system and compensation-determining process

2. Compensation levels

The Company uses objective external compensation data to benchmark NAGASE against competitive domestic companies in both business operations and talent acquisition. NAGASE sets its compensation levels at or above the market median of such data, taking into account business conditions and other relevant factors. In doing so, NAGASE aims to attract and retain diverse, skilled human capital capable of accelerating business transformation and to foster the growth ambition of the next generation of management leaders.

Compensation system overview

Type of compensation (approximate ratio)		Purpose	Performance metrics	Evaluation period	Details
Basic compensation (33%-59%)	Fixed	Basic compensation for execution of duties	—	—	Monthly payment, determined by the Board of Directors in accordance with roles and responsibilities.
Annual bonus (27%-33%)	Variable	Incentivize improvement in annual business performance	<ul style="list-style-type: none"> Consolidated operating income Business division operating income (for Directors in charge of business divisions) 	1 year	Determined by a formula resolved by the Board of Directors following deliberation by the Officer Remuneration Committee, based on consolidated operating income and business division operating income for the fiscal year. Paid in a lump sum in June.
			Individual performance evaluations		The president, delegated by the Board of Directors, evaluates individual officer performance and determines individual payment amounts (the President is not subject to individual evaluation). Paid in a lump sum in June.
Stock-based compensation (13%-33%)	Performance-linked stock compensation	Incentivize sustainable growth in corporate value	ROE Sustainability-related indicators	3 years ^{*1}	Stock grant points granted annually based on achievement of medium-term KPIs over three consecutive fiscal years and determined by a formula resolved by the Board of Directors following deliberation by the Officer Remuneration Committee (with a three-year transfer restriction after grant ^{*2} .

	Restricted stock compensation		Align interest with shareholder value	—	—	Restricted stock granted annually based on a standard amount resolved by the Board of Directors according to role and responsibility, with transfer restrictions lifted upon resignation.
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The indicated ratios show the proportion of each compensation type, assuming 100% achievement of performance targets based on the standard value. Director, senior adviser not eligible for stock-based compensation are excluded.

*1 However, the Company will evaluate fiscal 2025, the final year of the current medium-term management plan, based on a single fiscal year.

*2 Transfer restrictions are lifted upon resignation in the even that an officer retires during the three-year period.

3. Compensation structure ratio

The Company increased the variable compensation ratio for Directors with executive responsibilities to strengthen incentives for improving business performance and enhancing corporate value, in line with the executive compensation policy. Directors with greater roles and responsibilities receive a higher proportion of variable compensation, with standard values ranging from 40% to 67% of total compensation. Specifically, annual bonuses account for 27% to 33% of total compensation at the standard level to drive improvement in annual business performance. Stock-based compensation accounts for 13% to 33% of total compensation to enhance sustainable corporate value and align interests with shareholder value.

The Company sets the ratio of annual bonus to stock-based compensation at 1:1 at the standard level, focusing on pursuing profitability and efficiency over both the short and medium to long term (excluding non-executive directors). For example, at the standard level, the Company allocates the representative director and president's compensation equally among base salary, annual bonus, and stock-based compensation, maintaining a 1:1:1 ratio (compared with a 6:3:1 ratio under the previous system). Stock-based compensation will not be granted to director, senior adviser.

Annual bonus

The annual bonus for fiscal 2025 will be the sum of the amounts calculated for each performance metric using formulas (1) through (3) below.

Amount of compensation for annual bonus = (1) + (2) + (3) (rounded up to the nearest thousand yen)

Operating income, a key financial indicator for the Company, serves as the performance metric for annual bonus evaluation. The Company aims to expand operating income by improving profitability and efficiency as part of its policy to enhance corporate value.

① Consolidated operating income

Formula: = Consolidated operating income for the fiscal year × 0.15% × evaluation weight (determined separately) × position coefficient (determined separately)

- Reason for selection: Incentivizes the expansion of company-wide profitability

② Business division operating income (for Directors in charge of business divisions)

Formula: = Base amount × target achievement rate × evaluation weight (determined separately)

- Reason for selection: Incentivizes achievement of performance targets in each area of responsibility
- Payout range depending on achievement rate: 0% to 150%

③ Individual performance evaluation

The president, delegated by the Board of Directors, evaluates the performance of each officer (between 0% to 150%) for the fiscal year against the initial targets and determines individual payments based on the evaluation results.

Stock-based compensation

Stock-based compensation consists of performance-linked stock compensation and restricted stock compensation. The Company sets a 1:1 allocation ratio between performance-linked stock compensation and restricted stock compensation. Both forms of stock compensation adopt a trust-based structure. For further details on the stock compensation plans, refer to the Notice Concerning Revision of the Performance-Linked Share-Based Remuneration System for Officers released on May 8, 2025.

1. Performance-linked stock compensation

The Company will replace the previous performance-linked stock compensation trust with a performance share unit (PSU) plan using a three-consecutive-fiscal-year evaluation period, aiming to strengthen incentives for sustainable corporate value enhancement. However, the Company will evaluate fiscal 2025 as a single fiscal year, as fiscal 2025 is the final year of the current medium-term management plan. Shares granted after the evaluation period will be subject to a transfer restriction for three years (or until resignation, if an officer retires before the three-year period ends). Both the performance-linked stock compensation and the restricted stock compensation will adopt a trust-based structure. For further details on the stock compensation plans, please refer to the Notice Regarding the Extension and Revision of the Performance-Linked Stock Compensation Plan for Directors released on May 8, 2025.

The Company determines the stock grant points for the fiscal 2025 PSU plan as the sum of points calculated using formulas (1) and (2) for each performance metric.

Stock grant points = (1) + (2)

① ROE

Formula: Base points^{*3} × coefficient based on the performance of the relevant fiscal year × 67%

- Reason for selection: Incentivizes improvement in capital efficiency
- The Company set the fiscal 2025 target at 8.0%, in line with the Medium-Term Management Plan ACE 2.0.

② Sustainability-related indicators

Formula: Base points^{*3} × coefficient based on the performance of the relevant fiscal year × 33%

- Reason for selection: Strengthens the link between executive compensation and sustainability initiatives
- The Company set GHG emissions, employee engagement, and external evaluation ratings as the non-financial targets for fiscal 2025 under the Medium-Term Management Plan ACE 2.0.

2. Restricted stock compensation

The Company adopted restricted stock compensation to align interests with shareholder value.

The Company will grant restricted stock annually based on standard amounts set according to roles and responsibilities. In principle, transfer restrictions will be lifted upon retirement.

*3 Calculation method for base points

Base amount ÷ base stock price (weighted average acquisition price of shares acquired by the trust)

4. Compensation governance

The Company determines policies on Director compensation amounts and calculation methods based on discussions by the Officer Remuneration Committee, composed primarily of outside Directors, and deliberations by the Board of Directors.

The Board of Directors delegates authority over individual Director compensation to Hiroyuki Ueshima, Representative Director, President and CEO, based on the Officer Remuneration Committee review of compensation system and level appropriateness. The authority delegated to Mr. Ueshima includes individual assessments of performance-linked compensation (monetary) based on the performance of each Director's assigned business division. The Board of Directors determined that delegating this authority to the representative director, president, and CEO is appropriate, as he is best positioned to assess divisional performance while overseeing overall Company performance. The Board of Directors consulted the Officer Remuneration Committee, received recommendations, and confirmed that the delegated authority is exercised appropriately and decisions align with established policies.

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