

Governance

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Delivering next.

Governance Summary

Institutional Format	Company with Audit & Supervisory Board
Number of Directors	9
Outside Directors	3
Outside Audit & Supervisory Board Members	2
Chairperson of the Board	Chairman
Term of Office Stipulated in Articles of Incorporation	1 year
Separation of Management and Business Execution	Executive officer system
Board Member Appointment	Nomination Committee
Director Compensation	Compensation Committee [1] Basic salary [2] Performance-linked compensation (in cash) [3] Performance-linked compensation (non-monetary)
Compliance/Risk Management	Risk Management & Compliance Committee
Internal Control	Internal Control Committee
Sustainability	Sustainability Committee
Independent Auditor	Ernst & Young ShinNihon LLC

Management Structure

(As of June 30, 2024)

Directors

Note: Number of shares held is based on available information as of May 31, 2024. Figures given for the number of shares held include those held in the name of Nagase Officers' Shareholding Association and Nagase Employee's Stockholding.



Kenji Asakura

Representative Director and Chairman

Number of shares held: 31 thousand



Hiroyuki Ueshima

Representative Director, President and CEO

Number of shares held: 25 thousand



Masaya Ikemoto

Representative Director and Senior Managing Executive Officer

Number of shares held: 13 thousand



Masatoshi Kamada

Director and Managing Executive Officer

Number of shares held: 15 thousand



Tamotsu Isobe

Director and Executive Officer

Number of shares held: 7 thousand



Hiroshi Nagase

Director and Senior Adviser

Number of shares held: 2,060 thousand



Ritsuko Nonomiya

Outside Director

Number of shares held: 2 thousand



Noriaki Horikiri

Outside Director

Number of shares held: 1 thousand



Toshiaki Mikoshiba

Outside Director

Number of shares held: 0

1987 Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)

1997 Partner of KPMG Corporate Finance K.K.

2000 Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)

2005 M&A Advisor and Managing Director, UBS Warburg Japan

2008 Senior Vice President and Business Development Leader, GE Capital Asia Pacific Ltd.

2013 Senior Executive Officer and Business Development Leader, GE Capital Japan, GE Japan Inc.

2013 Managing Director, GCA Savian Corporation (currently GCA Corporation)

2017 Director, GCA Corporation (current position)

2020 Director, Nagase & Co., Ltd. (current position)

2022– Representative Director and CEO, Houlihan Lokey Japan Co., Ltd. (current position)

1974 Joined Kikkoman Shoyu Co., Ltd. (currently Kikkoman Corporation)

2003 Corporate Officer, Kikkoman Corporation

2006 Executive Corporate Officer, Kikkoman Corporation

2008 Director and Executive Corporate Officer, Kikkoman Corporation

2011 Representative Director and Senior Executive Corporate Officer, Kikkoman Corporation

2013 Representative Director, President and CEO, Kikkoman Corporation

2021 Representative Director, Chairman and CEO, Kikkoman Corporation

2022 Director, Nagase & Co., Ltd. (current position)

2023 Representative Director and Chairman, Kikkoman Corporation (current position)

1980 Joined Honda Motor Co., Ltd.

2008 Executive Officer, Honda Motor Co., Ltd., and Director and Vice President, Honda Motor Europe Limited

2011 President, Guangqi Honda Automobile Co., Ltd.

2014 Managing Officer, Chief Officer for Regional Operations (Europe Region), Honda Motor Co., Ltd., and President and Director, Honda Motor Europe Limited

2015 Senior Managing Officer, Honda Motor Co., Ltd.

2016 Chief Officer for Regional Operations (North America), Honda Motor Co., Ltd., and President and CEO, Honda North America, Inc.

2017 Senior Managing Director, Honda Motor Co., Ltd.

2019 Chairman, Honda Motor Co., Ltd.

2023 Director, Nagase & Co., Ltd. (current position)

Board of Directors and Audit & Supervisory Board Skill Matrix

We have identified the skills that members of the Board of Directors need to possess, and the roles that members of the Board of Directors and of the Audit & Supervisory Board play, as follows.

Position	Name	Corporate Management/ Management Strategy	Global Business	Marketing/Sales	R&D	Production/Quality	Finance and Accounting	Legal Affairs/ Risk Management	Human Resource Management	Sustainability	DX
Representative Director and Chairman	Kenji Asakura	●	●	●					●	●	
Representative Director, President and CEO	Hiroyuki Ueshima	●	●	●	●	●		●	●	●	
Representative Director and Senior Managing Executive Officer	Masaya Ikemoto	●	●			●	●	●	●	●	●
Director and Managing Executive Officer	Masatoshi Kamada	●	●	●				●	●	●	●
Director and Executive Officer	Tamotsu Isobe	●	●	●	●				●	●	●
Director and Senior Adviser	Hiroshi Nagase	●							●	●	
Outside Director	Ritsuko Nonomiya	●	●				●	●	●	●	
Outside Director	Noriaki Horikiri	●	●		●	●		●	●	●	
Outside Director	Toshiaki Mikoshiba	●	●	●		●		●	●	●	
Audit & Supervisory Board Member	Masanori Furukawa						●	●			
Audit & Supervisory Board Member	Akira Takami						●	●			
Outside Audit & Supervisory Board Member	Masaya Ishida						●	●			
Outside Audit & Supervisory Board Member	Gan Matsui						●	●	●		

Audit & Supervisory Board Members

Note: Number of shares held based on available information as of May 31, 2024. Figures given for the number of shares held include those held in the name of Nagase & CO., LTD. Officers' Shareholding Association.



Masanori Furukawa

Audit & Supervisory Board Member

Number of shares held: 9 thousand



Akira Takami

Audit & Supervisory Board Member

Number of shares held: 18 thousand



Masaya Ishida

Outside Audit & Supervisory Board Member

Number of shares held: 0

1992 Joined Sumitomo Bank (currently Sumitomo Mitsui Banking Corporation (SMBC))

2009 Head of Sales Promotion Group, Hibiya Corporate Banking No.2

2010 Office Group Head, Human Resources Dept.

2011 Group Head, Americas Business No. 1 Dept.

2014 Deputy General Manager, Americas Business No.1 Dept.

2016 Deputy General Manager, Tokyo Corporate Banking No. 5 Dept.

2018 General Manager, Fukuoka Corporate Banking No. 2 Office

2020 General Manager, Hamamatsucho Corporate Banking Office

2022 General Manager, Hiroshima Corporate Banking Office

2024 Retired from SMBC

2024 Audit & Supervisory Board Member, Nagase & Co., Ltd. (current position)



Gan Matsui

Outside Audit & Supervisory Board Member

Number of shares held: 3 thousand

1980 Prosecutor, Tokyo District Public Prosecutors Office

1990 Prosecutor, Tokyo District Public Prosecutors Office (Special Investigative Squad)

2005 Director, Special Trial Department, Tokyo District Public Prosecutors Office

2010 Assistant Public Prosecutor, Osaka High Public Prosecutors Office

2012 Chief, Criminal Investigations, Supreme Public Prosecutors Office

2014 Chief Prosecutor, Yokohama District Public Prosecutors Office

2015 Superintending Prosecutor, Fukuoka High Public Prosecutors Office

2016 Japan Federation of Bar Associations (Member, Tokyo Bar Association)

Yaesu Sogo Law Office (current position)

2018 Audit & Supervisory Board Member, Nagase & Co., Ltd. (current position)

Executive Officers

Managing Executive Officer

Naoki Yasuba

In charge of Nagase Viita Co., Ltd

Takanori Yamauchi

In charge of Nagase Business Expert Co., Ltd.

Satoru Fujii

In charge of Nagase ChemteX Corporation

Donald K. Thorp

In charge of Prinova Group LLC, Food Business

Kusuo Ota

In charge of Group Companies, Greater China (CEO)

Executive Officer

Koichi Sagawa

GM, Corporate Planning Department

Noriyoshi Yamaoka

Managing Director, Nagase Business Expert Co., Ltd. Manager, Nagoya Branch Office

Yoshihisa Shimizu

GM, Risk Management Division
GM, ICT Planning Division

Xiaoli Liu

GM, Nagase Bio-Innovation Center

Eiroku Oki

India CEO

Toru Araki

Director, in charge of risk management and compliance, Totaku Industries, Inc.

Kentaro Nagase

Europe (CEO)

Kazuhiro Hanba

GM, Corporate Management Department

Toshio Wakuda

GM, Human Resources & General Affairs Department

Interview with the Outside Directors



Ritsuko Nonomiya

Reasons for selection as outside director and expected role

Ms. Nonomiya is highly versed in finance and accounting through her experience in auditing and other operations at the KPMG Group and M&A and business development at the UBS Group and GE Group. We expect Ms. Nonomiya to use her global management experience at the Houlihan Lokey Group to provide recommendations for NAGASE's overall management.

Further improving productivity and capital efficiency for balanced management

The policy announced this fiscal year of providing a total return ratio of 100% for a limited period of two years has had, I believe, a great impact because it has sent an easy-to-understand message to the market. One of our major issues has been determining what kind of capital policy the NAGASE Group wants to pursue to show its awareness of the need to increase shareholder value. The new policy is the result of numerous discussions by the Board of Directors over the past year.

Those discussions will need to continue so the capital policies reflect the Company's future vision. It's been four years since I was appointed as an outside director, and I believe the Group still has a lot of room to grow in the future, but one of the issues it is facing is how to further improve productivity and capital efficiency. As it aims for more balanced management, I believe we will need to closely monitor how well the Company performs as it implements various measures including ROIC management and delivers results.

Understanding the businesses and risks needed when using M&A as a management strategy

As in the cases of Nagase Viita and the Prinova Group, M&A can transform the corporate culture and trigger growth. At the same time, M&A is a complex management tool that requires a high level of judgment. Each member of the Board of Directors must be able to review various proposals and assess the impact on corporate value and the timeliness of the project. The members must also correctly understand the substance of the target business and be willing to take strategically calculated risks.

In fiscal 2023, I had the opportunity to visit the Prinova Group in Chicago, USA. For some time, the group's high inventory balance was viewed as a potential risk factor. However, Prinova management was able to explain why they needed to have that level of inventory volume. Seeing it for myself verified that. It was truly an instance of "seeing is believing."

Another challenge with risk is that it is difficult to identify contingent risks that are inherent for businesses that are expected to improve and contribute to growth strategy. It is easy for the Board of Directors to see materialized operating losses and unprofitable transactions, but the areas for improvement may contain contingent risks that are not yet visible so those businesses need to be monitored from the preliminary stage before those risks materialize.

Fostering leaders for a diverse society by providing opportunities to hone communication skills

One other item we need to address is the development of the next generation of leaders. In particular, global operations require strong communication skills, which does not simply mean the ability to speak English. Communication means the ability to think deeply and independently about something and to explain and communicate your thoughts to someone else.

As society becomes more diverse, what is considered as common sense in Japan and in our company will no longer be a given, and we cannot expect others to know what to do without communicating. I believe that making a conscious effort to provide employees with opportunities to practice communicating, in terms of both quantity and quality, will be essential for human resource development.



Noriaki Horikiri

Reasons for selection as outside director and expected role

Mr. Horikiri has deep insight and extensive experience in corporate management from an extended career in the management of Kikkoman Corporation. He is expected to contribute recommendations for overall business management, including for overseas development and production activities.

Mutual sharing of resources to create added value

I believe the new management structure adopted in fiscal 2023 has improved our ability to conduct strategic business management, including reforming the business structure, streamlining the organization, and integrating Group functions. From this point, we will need to organically connect NAGASE's abundant management resources in order to implement our strategies and generate results.

My many years in the manufacturing industry lead me to believe that there are still hidden management resources to uncover in NAGASE's technology. Beyond the combined trading and manufacturing functions, we should be able to interchange our non-financial assets of people, technology, and intellectual property to bring out buried management resources. Although the organization is divided into departments, we must make it a point to change the mindset of employees, such as by fostering an approach of thinking about what we can do if we pool our resources together. Since NAGASE also has a long history in the manufacturing industry, I would like us to enhance our corporate value by using the technical capabilities of our manufacturing function to add value when we move goods with our trading function, and likewise by using the information we gather in our trading function when we manufacture goods. Increasing the areas where we are the leader, even if the areas are niche sectors, will increase our strength as a company.

Showing and working toward fulfilling the Group vision will increase stakeholder support

In my two years as an outside director, I have felt that the agenda for the Board of Directors meetings is well organized in advance and the meetings provide ample opportunity for a frank exchange of opinions by members from both inside and outside the Company.

Last year, I was particularly impressed by the in-depth discussions of capital policy. We had clear objectives to boost the stock price and raise PBR to 1x, but we also were careful not to become overly focused on those targets and spent a fair amount of time discussing important topics like the balance between investing in growth and paying dividends. A PBR of 1x is only one part of the result we are working toward. Most important for an organization is to communicate the strategy in its processes and the future vision, and then to create the structure for executing its plan. When we do that is when stakeholders will start feeling like they want to support us, and the outcome will be reflected in the share price. When I shared this view at the Board of Directors meeting, members on both the management and executive sides seemed to give it careful consideration.

Think deeply about the value of the Company's existence and make it a driving force for a new history

Employees will only have a true understanding of who they are as a corporate entity when NAGASE shows what it is aiming to be in the future and how it is going to get there. I believe that forming a vision for the organization, self-analyzing our strengths and weaknesses, and ensuring all employees have a shared understanding of them will lead to long-term growth for the Company even in the difficult business conditions. The first step may be to have everyone learn the history of the Company.

NAGASE's nearly 200-year history gives us a platform for talking about a long-term vision 100 and even 200 years in the future. I hope that each of us will understand the importance of inheriting a business that has survived and thrived by contributing to society and thinking about what they envision for the Company in the future. I believe doing that will give each of us the ability to use the intangible asset of NAGASE's history to create something new for the future.



Toshiaki Mikoshiba

Reasons for selection as outside director and expected role

Mr. Mikoshiba brings deep insight and abundant experience in corporate management from his executive career at Honda Motor Co., Ltd. He is expected to contribute recommendations mainly in the areas of business development overseas and sales.

Combining assets limitlessly in all areas to generate new added value

The commitment with which President Ueshima has undertaken the transformation of NAGASE over the past year has been palpable. With regard to the direction of this transformation, I have two main hopes. The first is that, rather than merely responding to changing times, the company will, through its transformation, take a proactive role in leading the times. My second hope is that the company will take the myriad assets that it has cultivated over its distinguished history and combine these creatively and without limits, enabling it to create even more added value.

NAGASE engaged in organizational restructuring last year. Further to this, I would like to see dynamic cooperation within the company, both vertical business divisions and horizontal shared functions, such as business management, human resources and finance, cooperate with each other like warp and woof of a strong fabric. By working together at the intersections of various functions and responsibilities, establishing sound checks and balances and not shying away from constructive disagreement where necessary, I believe that NAGASE can make great strides towards a new future. And embedding such practices deeply within NAGASE's organizational structure is key to generating added value for the company.

Increased focus on growth strategies and longer-term objectives in Board meetings

In my first year as an outside director at NAGASE, I have found discussions in Board of Directors' meetings to be highly open and lively. Monthly lunch meetings between outside directors and the president have also provided opportunities for a candid and meaningful exchange of views.

At the same time, Board meetings have appeared to me to be somewhat oriented to executive issues. Moving forward, it may be apt to consider increased delegation to the executive

team, enabling Board meetings to take on a more supervisory role, focusing on longer-term growth strategies. In terms of management indicators such as price-to-book ratio (PBR) and return on equity (ROE), which have become more and more important in recent years, the priority, in my view, should be on discussing the vision for the company in the medium- to long-term, rather than focusing solely on the achievement of target indices.

Encouraging accurate risk assessment, evaluating will to execute and supporting the Board

One of my commitments in every Board meeting is to evaluate the Board's strength of will and determination to execute each proposal that is put forward. An anecdote from a Board meeting last year comes to mind. A proposal was put forward on the execution of an option to purchase the remaining shares of the Prinova Group, with a view to making it a 100% subsidiary. I had found the proposal to be thorough and satisfactory, including the option price. I remarked that the proposal could have been presented with a firmer will and asked for delegation to execute the option within the proposed budget. To be sure, outside directors play an important role in assessing risk. This does not mean, however, that there can be absolutely no risk involved for us to proceed. Rather, the key is to evaluate risk accurately, and to develop appropriate countermeasures. So long as these are in place, I would like to encourage and support the Board in its decision-making. Therefore, I strive to ask questions that encourage the precise and accurate recognition of risks.

Lastly, I think that site visits are an ideal way for outside directors to interact with employees and evaluate first-hand how deeply our Board room discussions and decisions are taking root on the ground. As an outside director, I consider it my duty to engage in all manner of exchange and discussion to support the Board in leading NAGASE to its goals long into the future.

Corporate Governance

Basic approach

The NAGASE Management Philosophy recognizes its responsibility to society and offers beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

Based on this philosophy, NAGASE strives to increase corporate value over the medium to long term in line with the NAGASE Vision, its commitment to stakeholders: "To realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities." We are working to strengthen our corporate governance, because we believe that rapid decision-making and execution, and ensuring transparency are essential for us to accomplish these objectives.

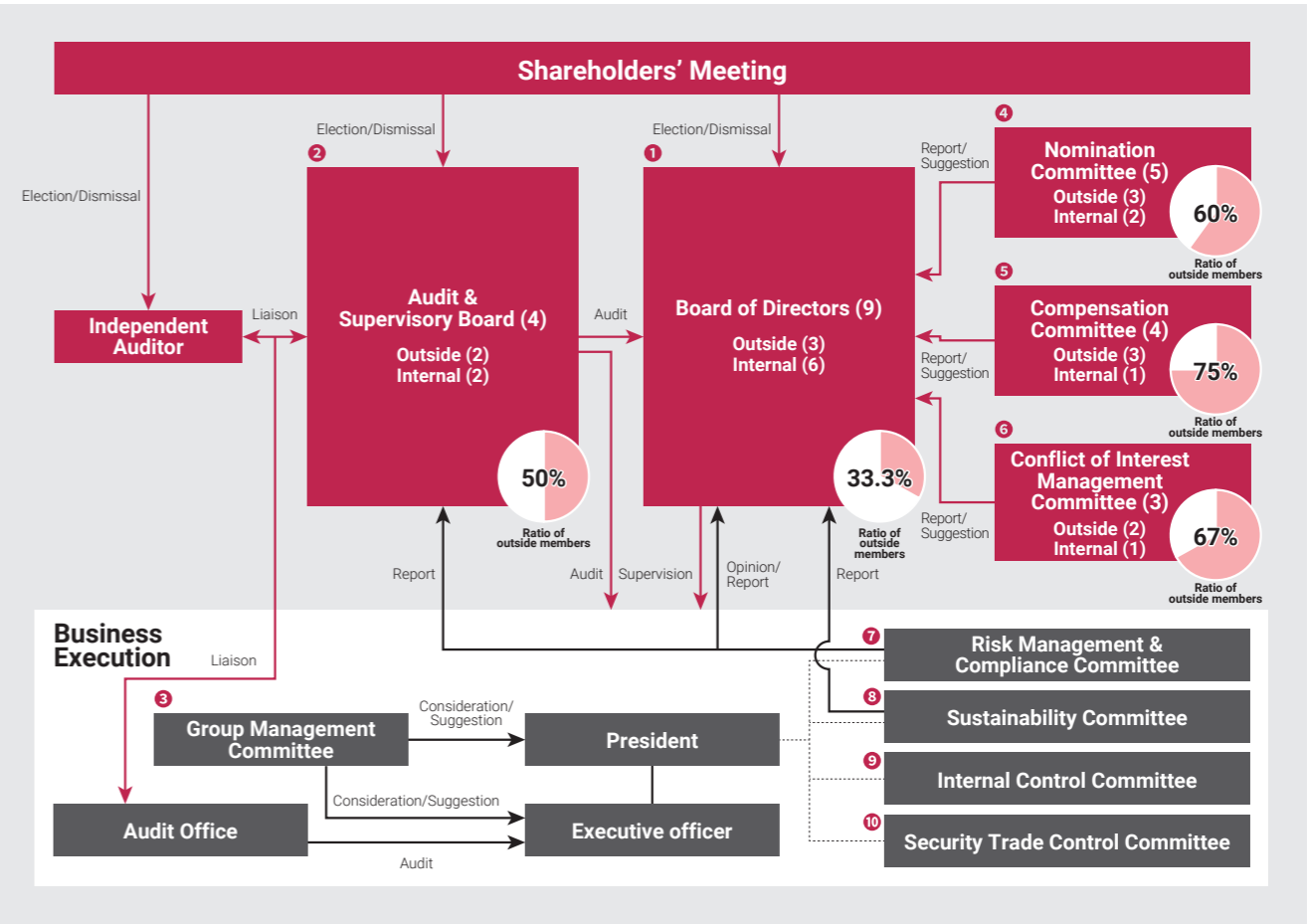
Overview of the corporate governance system

NAGASE has adopted the structure of a company with an Audit & Supervisory Board. We have also adopted an executive officer system that separates management and business execution, with the aim of accelerating decision-making and

enhancing business execution. Our current management system is based on 9 Directors (of which 3 are Outside Directors), 18 executive officers (of which 4 are also Directors), and 4 Audit & Supervisory Board Members (of which 2 are Outside Audit & Supervisory Board Members). To strengthen the corporate governance function, NAGASE has voluntarily established a Compensation Committee, Nomination Committee, and Conflict of Interest Management Committee. Other voluntarily-established committees include the Group Management Committee, Sustainability Committee, Risk Management & Compliance Committee, Internal Control Committee, and Security Trade Control Committee.

Under the current corporate governance framework, the suggestions and advice provided from an objective standpoint by several independent Outside Directors, and the unbiased, objective oversight provided by an Audit & Supervisory Board whose members have a high level of specialist expertise and independence, have proven to be functioning effectively. We believe that, given the effective coordination between the various boards and committees that have been voluntarily established by the Company, this corporate governance framework is the most appropriate for our company.

Corporate governance system



Overview of the main boards and committees

Name	Overview	Composition	Number of Meetings Held in FY2023	Main Issues Addressed in FY2023
1 Board of Directors	The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervises the execution of operations. It holds a regular monthly meeting to make important decisions, track business performance and formulate measures.	9, including 3 Outside Directors	16	• Matters relating to management strategy, sustainability, and governance • Matters relating to risk management, internal controls, and compliance
2 Audit & Supervisory Board / Audit & Supervisory Board Members	In accordance with the audit policy and audit plans set at Audit & Supervisory Board meetings, Audit & Supervisory Board Members conduct audits of the execution of duties by Directors by attending important meetings such as Board of Directors meetings and receiving reports solicited from subsidiaries on an as-needed basis.	4, including 2 Outside Audit & Supervisory Board Members	16	• Audit policy and audit plans • Audit & Supervisory Board reports • Status of audit activities by full-time corporate Auditors • Review of annual audit activities • Reasonableness of the Board of Directors' resolutions regarding internal control and appropriateness of the establishment and operation of internal control systems, etc.
3 Group Management Committee	The Group Management Committee comprises executive officers appointed by the Board of Directors, and in principle, meets regularly once a month to discuss management strategies, investment projects, and other important matters to support business decision-making. This committee serves as an advisory body that discusses matters resolved by the Board of Directors.	Executive officers appointed by the Board of Directors	12	• Matters relating to management strategy, sustainability, and governance • Matters relating to risk management, internal controls, and compliance
4 Nomination Committee	The Nomination Committee has five members, the majority being Outside Directors. It deliberates on appointment proposals for directors and executive officers and succession plans for the Chief Executive Officer. It then provides reports and recommendations to the Board of Directors with the aim of ensuring objectivity and transparency in nominations of NAGASE's top management.	5, including 3 Outside Officers	4	• Succession Planning • Matters relating to the following year's Directors and executive officers
5 Compensation Committee	The Compensation Committee has four members, the majority being Outside Directors. It enhances the objectivity and transparency of the decision-making process regarding compensation of Directors and executive officers by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.	4, including 3 Outside Directors	4	• Matters relating to the compensation system for company officers • Introduction of ESG Indicators into the compensation system for company officers
6 Conflict of Interest Management Committee	The Conflict of Interest Management Committee has three members, the majority being Outside Directors. It deliberates on potential conflicts of interest in relation to the Group's business operations with objectivity and transparency, and reports to and makes recommendations to the Board of Directors.	3, including 2 Outside Directors	2	• Various separate issues
7 Risk Management & Compliance Committee	The Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance but also corporate ethics.			
8 Sustainability Committee	The Sustainability Committee is chaired by the President with executive officers and Group company managers as members. This Committee formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures, and conducts educational activities within the Group.			
9 Internal Control Committee	The Committee deliberates on basic policies for the internal control system, builds frameworks established by the internal control system, and monitors the management of the frameworks to ensure the appropriateness of business operations.			
10 Security Trade Control Committee	The Security Trade Control Committee ensures compliance with export-related laws and regulations in relation to foreign currency exchange and foreign trade for the Company's trading of cargoes and technologies covered by such laws and regulations.			

Board of Directors effectiveness evaluation

Evaluation method

The Company analyzes and evaluates the effectiveness of the Board of Directors every year, believing in the importance of improving board effectiveness. It conducts an anonymous survey of all Directors and Audit & Supervisory Board Members in order to generate more proactive and honest opinions. Anonymity is maintained because respondents respond directly to an outside organization.

Evaluation results

Based on the evaluation results, the Company confirmed that its Board of Directors functions effectively, conducting appropriate and timely deliberations and decision-making.

The status of the response to items recognized as issues in fiscal 2022, and the issues recognized in fiscal 2023 based on the evaluation results, and the response strategy for these issues, are listed on the right.

Status of the response to items recognized as issues in FY2022

- The need for continuous improvement to realize efficient operation
 - ➡ Executives reviewed meeting bodies to speed up the decision-making process.
- The need to improve monitoring of management issues
 - ➡ Discussion opportunities were created. Future growth strategies and other topics were discussed as a part of the Medium-Term Management Plan.

Issues recognized in the FY 2023 evaluation results

- Further enhancement of discussion and monitoring at Board of Directors meetings
- Continuous improvement of operations

Based on this effectiveness evaluation, the Board will respond to issues after due consideration and continue its efforts to improve its functioning.

Company officer compensation policy

Compensation standards are set so that compensation is appropriate for the role and scope of responsibilities for each company officer and motivates them to sustainably enhance corporate value in light of objective external data and the current management situation, etc. The target ratios for each category of compensation are as shown below.

Compensation for Outside Directors and Audit & Supervisory Board Members is limited to basic compensation, a fixed salary, in view of the nature of their duties.

The indicators selected for performance-linked compensation are net income attributable to shareholders of the parent company, which is the final profit, as an incentive to improve business performance, and ROE as an incentive to improve capital efficiency. The method used to calculate performance-linked compensation is as follows. The basic amount of performance-linked compensation based on profit attributable to owners of the parent is determined based on the consolidated performance forecast at the beginning of the fiscal year, and is multiplied by the ratio of net profit for the previous fiscal year and the achievement ratio relative to the consolidated performance forecast at the beginning of the fiscal year, and is adjusted based on individual assessment. With regard to compensation based on ROE, to achieve the ultimate goals set in the Medium-Term Management Plan, targets are set for each fiscal year, and the amount of compensation is determined based on the extent to which the target for that year has been reached.

To strengthen the link between sustainability initiatives and executive compensation, ESG-related indicators were added to the performance-based indices in fiscal 2024.

Share held by each category of company officers' compensation

Basic salary	Share of total: 50 – 70%	Paid monthly, in cash
	Annual compensation, paid in equal monthly payments	
Performance-linked compensation (monetary)	Share of total: 25 – 40%	Paid annually, in cash
	Paid as lump sum at the end of June each year	
Performance-linked compensation (non-monetary)	Share of total: 5 – 10%	On retirement, in the form of shares
	A performance-linked share compensation system has been adopted whereby points are awarded based on position and achievement of performance targets, etc., and a number of shares corresponding to the number of points awarded is held in a trust set up by the Company to be paid on retirement.	

Breakdown of company officers' compensation and total amounts (FY2023)

Category of company officer		No. of eligible company officers (persons)	Total amount of compensation (million yen)	Amount of compensation by type (million yen)		
				Basic salary	Performance-linked compensation (monetary)	Performance-linked compensation (non-monetary)
Directors	Internal	6	234	177	30	26
	Outside	4	36	36	–	–
	Total	10	271	214	30	26
Audit & Supervisory Board Members	Internal	3	48	48	–	–
	Outside	2	34	34	–	–
	Total	5	83	83	–	–

Strategic cross-shareholdings

To realize the sustainable enhancement of corporate value, the NAGASE Group holds strategic cross-shareholdings when this is deemed necessary, taking into account a comprehensive range of factors such as those relating to the maintenance and strengthening of relationships with business partners, business strategy, etc. The Board of Directors annually confirms the appropriateness of these shareholdings, based on the results of a detailed review by the responsible departments of the prospects for business expansion and synergies or whether such a company can be expected to provide stable services essential to the Group's business activities, in light of the earnings situation through related transaction gains and dividends received. In cases where the holding of a particular stock is deemed not to be appropriate, the Company will aim to reduce its holdings of these shares by selling them off in a step-by-step process, while taking various factors into account.

In addition, under the ACE 2.0 Medium-Term Management Plan, implementation of which began in fiscal 2021, NAGASE plans to sell off strategic cross-shareholdings valued at a cumulative total of 30 billion yen over a five-year period. As of March 31, 2024, a total of 22.4 billion yen of shareholdings had already been sold off.

Sale of strategic cross-shareholdings

(FY)	2019	2020	ACE 2.0 Medium-Term Management Plan			
			2021	2022	2023	Total over the Medium-Term Management Plan period
No. of stocks sold off	7 stocks	5 stocks	49 stocks	13 stocks	17 stocks	79 stocks
Total sale price	10.4 billion yen	6.2 billion yen	7.8 billion yen	7.3 billion yen	7.1 billion yen	22.4 billion yen

Sustainability Management

Sustainability Basic Policy

The NAGASE Group has established the Sustainability Basic Policy as a way of thinking shared throughout its value system. Through the pursuit of activities to "Identify, Develop, and Expand" espoused in the NAGASE Vision, the Group will address issues affecting its business partners and society, thereby contributing toward the realization of a sustainable society.

1. Integrity in business activities

- We shall conduct our corporate activities in compliance with all applicable national and regional laws and regulations, and in keeping with societal norms and ethical standards.
- We shall strive to prevent corruption of all kinds and maintain healthy and proper relations with our partners and government entities.
- We shall strive to provide safe, high-quality products and services, and seek to maintain and improve the value to our customers and partners.
- We shall safeguard the benefit to the consumer through maintaining and promoting fair and free competition.
- We shall strive toward rigorous management and protection of information about our customers and our company.

2. Positive relations with society

- We respect human rights and do not permit any sort of discriminatory conduct. We absolutely refuse to accept infringements of human rights such as forced labor or child labor.
- We respect the cultures and practices of national and regional societies, maintaining positive relations with society.
- We shall strive to ensure health, safety, and appropriate communication with our diverse stakeholders.
- We shall constantly pay detailed attention to sustainability among our suppliers, and shall work to make corrections should there be any doubt as to their sustainability.
- We shall proactively disclose corporate information as appropriate.

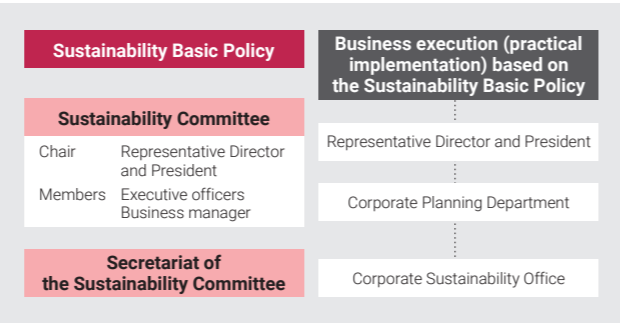
3. Consideration for the environment

- We shall comply with national and regional environmental regulations.
- We shall contribute to the maintenance of the global environment, including limiting climate change and preventing contamination, promoting reduction in the environmental footprint of our business activities through suppression of greenhouse gas emissions and energy consumption.
- We shall, through environmentally-conscious products and services, provide information to our customers about appropriate product usage, recycling, and disposal methods.
- We shall contribute broadly to society through environmental conservation activities in various countries and regions.
- We recognize the importance of biodiversity and shall strive to conserve ecosystems.

Note: Information about the NAGASE Group's sustainability is also available on our website.
<https://www.nagase.co.jp/english/sustainability/>

Sustainability Committee

We operate the Sustainability Committee, chaired by the Representative Director and President, with the aim of continuously increasing the NAGASE Group's corporate value by contributing solutions to social and environmental issues through its corporate activities. The Committee is composed of a chair and at least two members, who are appointed by the president from the employees of the Company and its Group companies. The Corporate Sustainability Office conducts business execution (practical implementation) based on the Sustainability Basic Policy.



Materiality (important issues) identification process

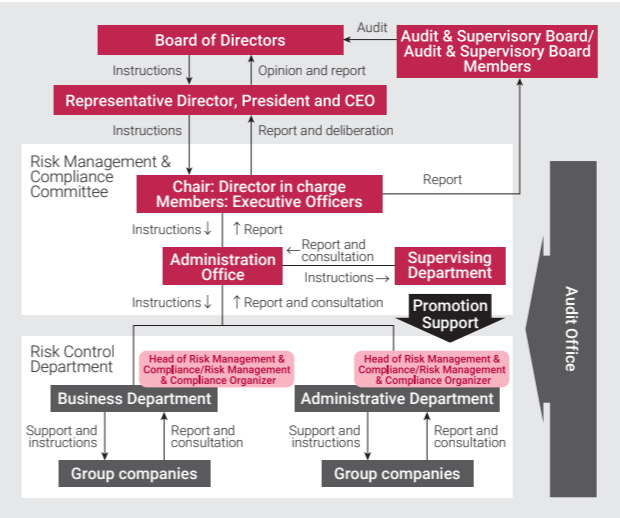
In September 2024, the NAGASE Group revised part of our materiality, in line with the formulation of the **ACE 2.0** Medium-Term Management Plan that we are now implementing. Having undertaken a review in light of changes in the external environment, following discussion by the Sustainability Committee, we added new materiality which it was felt needed to be recognized by NAGASE as constituting important issues: "Driving a Circular Economy," "Achieve a Sustainable Supply Chain," and "Extend a Healthy life expectancy." For more details, see p.25 of this report.

Risk Management and Compliance

Basic approach

The NAGASE Group's Management Philosophy is "We recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees." In line with this philosophy, the Risk Management & Compliance Committee, chaired by a Director and Executive Officer, created the Code of Conduct for Risk Management & Compliance, which covers not only legal compliance but also corporate ethics. Based on this Code of Conduct the Committee works to establish, disseminate and consolidate a risk management system and a compliance system.

Risk management and compliance system



Revisions to the Code of Conduct for Risk Management & Compliance

On April 1, 2024, two important revisions were made to the NAGASE Group's Code of Conduct for Risk Management & Compliance.

- ① "Risk Management" was added.
 - ② The content of the section on respecting human rights was updated.
- (The scope was expanded from "group executives and employees only" to "the human rights of people involved in the Group's business activities".)

Accordingly, the following new or revised policies have been adopted.



Risk Management

Basic approach

The NAGASE Group runs a global and diversified operation, being exposed to various risks associated with the nature of its businesses. The Company classifies internal and external risks related to its business activities into two categories: risk management during normal times and management crisis control during emergencies, so that it can work to improve its ability to respond to each type of risk. The purpose of risk management is to ensure stable business continuity and sustainable growth by minimizing damage and loss caused by the manifestation of risks while taking appropriate risk mitigating measures.

Significant Group risks and countermeasures for FY2023

The Risk Management & Compliance Committee plays a central role in establishing a sustainable risk management system. To visualize the risks, the Committee identifies the risks, create risk scenarios for all of them and evaluates them on the two axes: one is impact, and the other is frequency and likelihood of occurrence. This helps to specify significant risks.

Significant risks	Countermeasures to minimize risks
Risks related to climate change	Promoting sustainability within the Group / setting carbon neutral targets / supporting the TCFD, etc.
Risks related to social demands	Assessing and reducing the impact of business activities on ecosystems and restoring ecosystems, etc.
Risks related to exchange rate fluctuations	Import and export in foreign currency / forward contracts for non-trading transactions, etc.
Investment risks	Improving the investment decision-making process, including the evaluation of profitability based on investment guidelines / periodic evaluation and review of investment value, etc.
Risks related to fluctuations in commodity markets	Ensuring customers receive guarantees / optimizing inventory levels through supply/demand forecasting, etc.
Geopolitical risks	Understanding the circumstances and legal and regulatory trends in each country / Establishing a supply chain that is not dependent on specific regions or suppliers, etc.
Risks related to securing and outflow of human resources, etc.	Improving employee engagement / mid-career recruitment / establishing hotline desks / improving compliance awareness, etc.
Risks related to loss of competitive advantage	Collecting information on changes in demand / changing strategies according to the situation / developing and strengthening systems to shift resources between regions in a timely manner, etc.

Product safety and quality control

The NAGASE Group considers product safety and quality control a major social responsibility to provide customers with safe products and build a safe and secure society. According to the NAGASE Group Product Safety Principles, we strive to ensure the safety of products through Group-wide rules and education. In addition, the Company manages its suppliers and contract manufacturers and provides training to raise the level of product safety and quality control at each of its manufacturing companies.

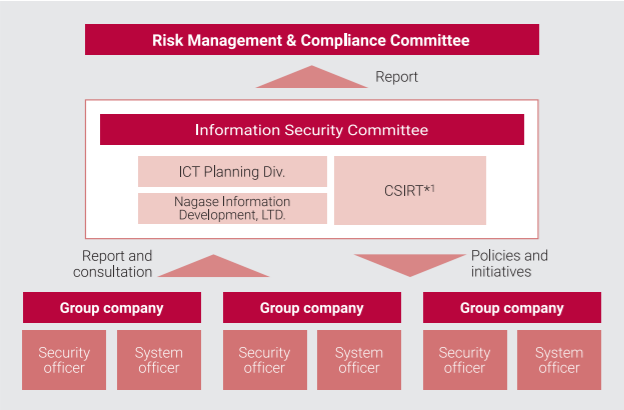
Basic approach on information security

The NAGASE Group recognizes that maintaining and improving the security of its information systems and the level of information security is an important management issue given its critical role in the supply chain. To this end, the Group has established an information security promotion system and policies, and is continuously implementing various security measures, as well as focusing on training and educating Group employees.

Information security promotion system

To promote information security, an Information Security Committee has been established under the supervision of the Risk Management & Compliance Committee. This helps to integrate it into the risk management system and to formulate and promote policies and measures at the Group level. Each Group company appoints a Security Officer and a Systems Officer who are responsible for implementing the Group's policies and for promptly reporting and responding to any incidents.

Information security system



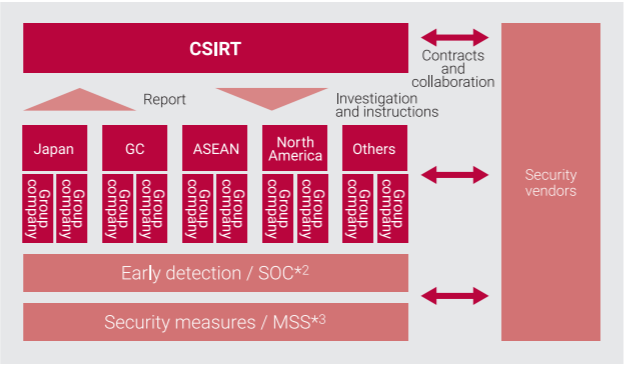
Information Security Policy

The Group implements a continuous improvement cycle to promote information security based on the Information Security Basic Policy and the Information Security Measures Guideline, which comprehensively describe the rules and recommended security level.

Cyber security enhancement initiatives

With targeted threats to businesses becoming more sophisticated every day, countering and responding to cyber-attacks is a critical management issue. The NAGASE Group is strengthening its cyber-attack countermeasures in terms of prevention, mitigation, and business continuity. To this end, the Group has built its cybersecurity structure based on the expertise and services of external security and network providers.

Cybersecurity structure



***1 CSIRT: Computer Security Incident Response Team**
A dedicated team has been established to respond to cybersecurity incidents within the Group.

***2 SOC: Security Operation Center**
The NAGASE Group has installed security products (EDR) in the endpoints (PCs/servers) of Group companies to prepare for cyber-attacks and malware infiltration. EDR detects suspicious behavior and cyber-attacks on endpoints and notifies a centralized control center called SOC to confirm the attack at an early stage and prevent the spread of damage.

***3 MSS: Managed Security Service**
In response to the increasing sophistication of cybersecurity, each Group company maintains and enhances the level of security by outsourcing some of the operational and administrative tasks to external specialized providers.

Employee training

To maintain and enhance the level of information security, it is essential to raise the awareness and literacy of each employee. The NAGASE Group regularly conducts the following training courses.

- Training against targeted email attacks
- Periodic e-learning courses on information security
- Familiarization of new employees with the Information Security Basic Policy

Risk management by the Group Manufacturers' Collaboration Committee

The Group Manufacturers' Collaboration Committee helps to share the know-how of each company and support each other in improving their risk management level. The Labor Safety Subcommittee diagnoses and tracks occupational safety at key follow-up sites. The Quality improvement activity shares know-how to improve quality control technology. The Environmental Subcommittee is in charge of environmental measures. The DX Promotion Subcommittee promotes the introduction of digital manufacturing technologies and technical studies.

Response to security trade controls

To conduct trade appropriately in line with laws and regulations as a member of the international community, the Security Trade Control Committee works to understand the export control situation, follows the latest revisions to the Foreign Exchange and Foreign Trade Control Law, and ascertains a detailed picture of export controls across the entire Group, while formulating related Group policies. The Item Compliance

Management Council ensures that all business divisions and Group companies are well informed of its decisions and relevant statute updates to prevent violations of laws and regulations. To be capable of responding to the rapid changes in the security trade control field, the Company encourages its employees, particularly those involved in export business, to take the security trade control certification examination provided by the Center for Information on Security Trade Control (CISTEC). (As of the end of fiscal 2023, a cumulative total of 1,166 employees have obtained the certification).

Compliance with laws and regulations related to products

We are strengthening our management of product-related laws and regulations, including those relating to chemical products. We are also promoting centralized information management and have implemented a management system to appropriately comply with related laws and regulations across all products handled by the NAGASE Group.

• **Specific compliance measures:** We implement centralized management of matters relating to relevant laws and regulations using our comprehensive product management system, based on the chemical composition and specifications of all the chemical products that we handle.

• **Compliance with global chemical substance regulations:** The Company pursues systemization, education, and guidance for product management both in Japan and at our overseas subsidiaries based on the GFC (a global framework for managing chemical substances throughout their life cycles by diverse actors in diverse fields), which replaced SAICM.

Crisis prevention and business continuity planning (BCP)

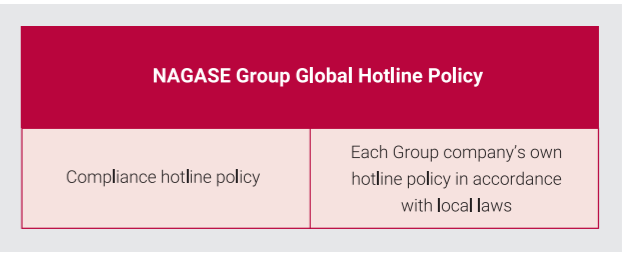
Each Group company has taken steps to mitigate risks such as natural disasters that could affect the continuity of business activities as well as the safety and lives of employees, through both "disaster prevention activities" and "BCP activities." As for crisis prevention activities, we annually conduct one drill that coordinates our major domestic bases of Tokyo, Nagoya, and Osaka, checking the first responses during times of crisis. As for BCPs, each department has formulated a recovery plan to assure delivery to major business partners.

Compliance

Development of a Group-wide compliance system

The Company launched the "Compliance Support Round" in fiscal 2023 as an activity to visit Group companies in Japan that have not set up a Risk Management & Compliance Committee. Seventeen Group companies were visited. At each company, the visitors held discussions with the head of risk management and compliance, as well as risk management and compliance organizer. They reviewed compliance activities and the status of whistleblower response personnel under the revised Whistleblower Protection Act. Through this information sharing, the company was able to build relationships among compliance officers that were not fully possible during the COVID-19 pandemic. It also renewed awareness of compliance issues that should be considered by the Group as a whole in its information security and whistleblower investigation work.

In order to develop the whistleblowing system for all Group companies, including those overseas, NAGASE established the NAGASE Group Global Hotline Policy and worked to create an environment that facilitates reporting.



Compliance education for management and employees

To eradicate harassment such as abuse of power and sexual harassment, in fiscal 2023, the Company invited a specialized outside consultant to conduct training for the President, Directors, Presidents of Affiliated Companies, and other executives, as well as for department managers and division managers. E-learning and four cell manga on harassment were distributed to all employees once a month from fiscal 2023 to promote harassment-free awareness. As a result, more than 30% of respondents to an employee compliance survey conducted in fiscal 2023 said that the compliance situation in their workplace had improved compared to two years ago.