

Status of Dialogues with Shareholders and Investors

NAGASE announced the following information on the status of dialogue with shareholders and investors in FY2023.

- (1) Basic Policy on Dialogues
 - (2) Overview of shareholders and investors with Whom Dialogues Were Held and Total Number of Dialogues
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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. | 124 |
| Company briefings for individual investors | 2 |
| Small meetings for institutional investors (March) | 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 June 21, 2024 disclosure).

(Growth strategy)

Questions received

- What are your growth strategies for food, semiconductors, and life sciences?
- What are the specifics of the 80 billion yen growth investments?
- Will you withdraw from unprofitable businesses as part of your efforts in the Improve Areas?

Company policy

For food, we will maintain and expand our sales share, mainly through the Prinova Group, in the Americas and Europe, where the market is large and we expect to see stable growth. At the same time, we will make aggressive business investments in Asia and South America, where we expect to see significant future market growth. For semiconductors, the industry in Japan is showing signs of recovery. In response, we are focusing on making proposals regarding chemicals procured by NAGASE and recycling. We are also expanding Nagase ChemteX Molding Compound materials, the de facto standard in the advanced semiconductor field. In life sciences, we are expanding sales through the development of multi-purpose materials, mainly for functional materials from Nagase Viita (Name changed from Hayashibara on April 1), who are regarded highly for their sustainability initiatives.

The 80 billion yen for growth investment has no time limit and represents the size of foreseeable projects, mainly in the three aforementioned areas.

In the Improve Areas, we are developing and implementing action plans for unprofitable businesses and transactions. In certain cases, we decide to search for the best owner or withdraw.

(Capital and financial strategy)

Questions received

- How do you plan to achieve an 8% ROE?
- Will you review the amount of strategic cross-shareholdings sold?
- Will you improve financial leverage?
- How are you managing WACC and ROIC?

Company policy

We have strived to achieve an 8% ROE through our growth strategy and our capital and financial strategy, and accumulated more capital than expected through these efforts. To achieve an 8% ROE, we increased profits and revised our shareholder return policy, as a part of our capital and financial strategy, to aim for a total return ratio of 100%.

NAGASE is considering revising the 30 billion yen target set for the period of **ACE 2.0** in light of the need to reduce the ratio of strategic cross-shareholdings to net assets.

We are also considering increasing financial leverage and outlined this in **ACE 2.0**. However, we will make decisions with an eye to controlling interest expenses given current interest rate hikes.

Regarding WACC and ROIC, we establish WACC for each business unit and strive to achieve an even higher profitability. NAGASE is committed to improving profitability and efficiency, replacing our portfolio with more profitable assets.

(Governance)

Questions received

- How did President Ueshima come to be appointed?
- Please comment on your Director Compensation structure.
- What is your intent behind reorganizing the 11 business divisions into 7?

Company policy

We expect the appointment of President Ueshima to incite change. NAGASE values taking on challenges without fear of failure, but we recognize that our resources are limited and we are focused on establishing a system to accelerate change.

Director Compensation includes a portion of stock-based compensation. We continue to explore the ideal form of Director Compensation, deliberating on the inclusion of ESG-related indicators in performance-linked indicators.

Our organizational change was aimed primarily at accelerating decision-making. A larger organization allows those responsible to have access to a greater scope and resources, leading to faster conscious decisions.

(Human capital)

Questions received

- Is the HRBP system working?
- Please comment on diversity within the company.
- Please comment on the acquisition of female officers and the ratio of women in managerial roles.

Company policy

NAGASE assigns a Human Resources Business Partner (HRBP) to each of the seven business units, introducing a system to support the development of the organization and human resources based on an understanding of our business strategy. We also assign human resources partners in the business unit side. Business units implement measures in collaboration with HRBPs to solve issues for the people and organizations involved in our business.

Diversity is one of the most important and indispensable elements of human capital, and we consider women's empowerment to be a high priority. We take measures to empower women at each stage of recruitment, retention, and promotion. Currently, NAGASE employs one female outside director and one female executive officer. Furthermore, establishing an environment and culture that enables women to work comfortably will lead to higher numbers of future female candidates for managerial positions. Creating such an atmosphere includes networking, holding discussions among female career-track employees, and holding regular diversity management training sessions for department and section managers.

(Sustainability)

Questions received

- Please comment on improving employee engagement.
- Please comment on human rights within the company.

Company policy

The revised personnel system clarifies roles and duties, provides a high degree of compensation linkage, and abolishes seniority-based management. These changes enable NAGASE to allocate more dynamic human resources and secure and promote diverse highly specialized human resources. Our structure also allows a diverse workforce to practice work styles and develop their careers according to their individual abilities and intentions. We also hold roundtable discussions and other meetings, providing numerous opportunities for dialogue between management and employees to encourage mutual understanding and improvement.

NAGASE recognizes respect for human rights as an important issue and establishes a group-wise basic human rights policy. In particular, we receive strong requests from overseas clients, who account for more than half of our total transactions. We receive an increasing amount of inquiries on management methods and business ratios, especially regarding specific countries. For focus regions, we work to prioritize and develop systems.

(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 | 1 |

*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)

- Understand the standard of equity cost required of the company
- Expand small meetings and other IR activities
- Review external disclosure materials

Enhance financial results presentation materials (trends in related markets, 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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