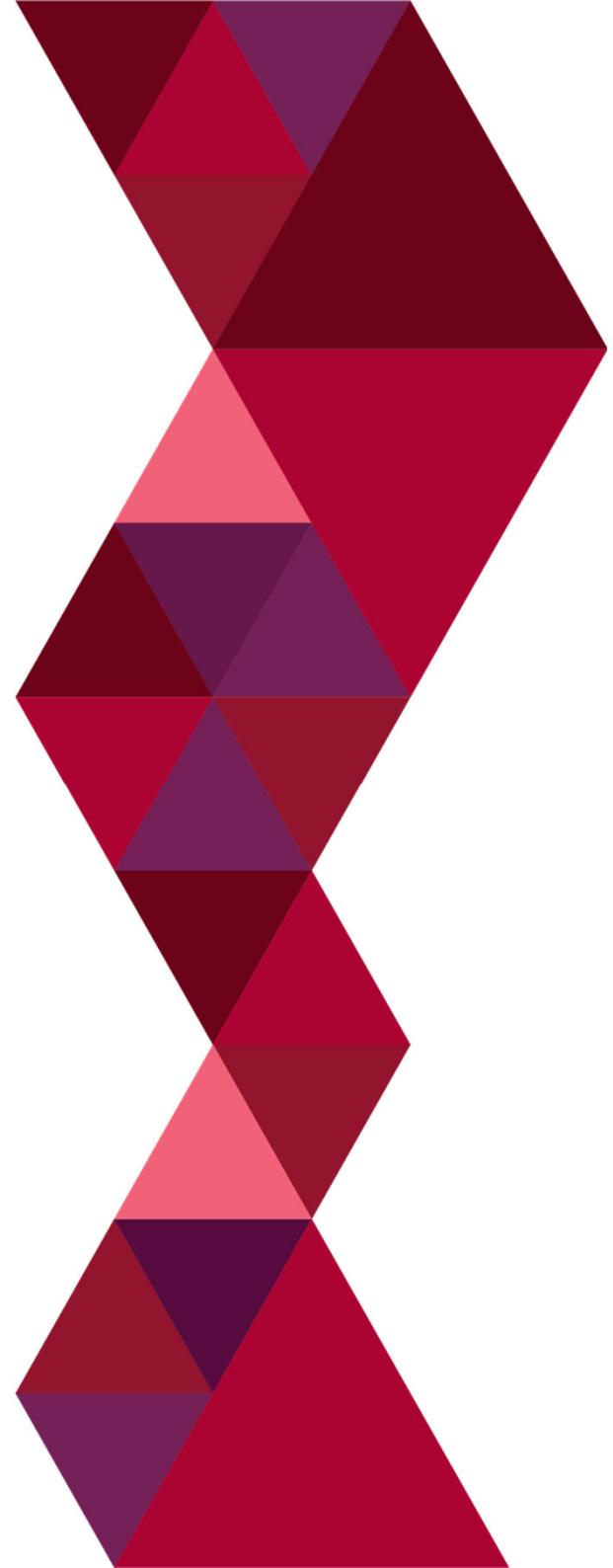


Medium-Term Management Plan **ACE 2.0**

<https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20210802-1.pdf>



ACE 2.0 Basic Policies

Become a true “Business designer”

ACE 2.0 “Pursuit of Quality”

With a mindset focused on Accountability (A), Commitment (C) and Efficiency (E), and to enable its sustained growth,
NAGASE will work to give concrete shape (business, mechanisms, culture)
(Pursuit)
to the aspirations expected by all of its stakeholders.
(Quality)

Reform of Profit Structure

Create a profit base toward the Ideal NAGASE

- (1) Pursuit of profitability and efficiency**
 - Implement a company-wide asset replacement and reallocation of resources
- (2) Strengthen existing businesses**
 - Expand business opportunities through globalization
 - Improve productivity of manufacturing businesses and expand value-added through technical innovation
- (3) Create sustainable businesses (N-Sustainable business)**

Reform of Corporate Culture

Mindset toward the Ideal NAGASE

- (1) Pursuit of economic and social value**
 - Fostering a sustainability mindset, and rigorous monitoring of financial and non-financial indicators
- (2) Pursue efficiency**
 - Deepen awareness of capital efficiency
 - Improve productivity of core operations
- (3) Strengthen human resources to drive reforms**

Functions supporting reforms

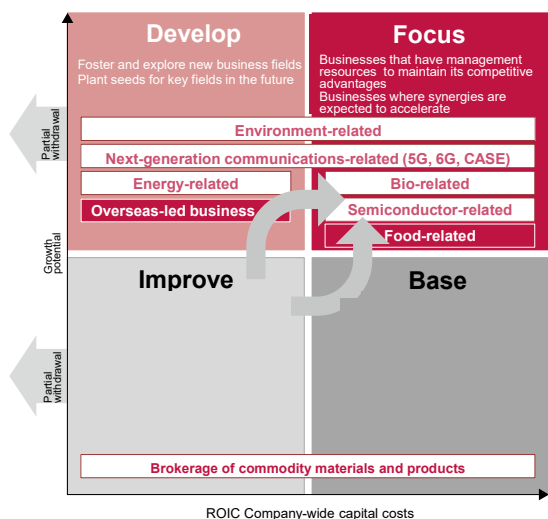
- (1) Accelerate DX further**
- (2) Promote sustainability**
- (3) Strengthen corporate functions**

Pursuit of Profitability and Efficiency

- ▶ In addition to generating stable cash in base businesses, we made progress in growing and strengthening the structure of the focus businesses that we expect to grow further
- ▶ We secured capital resources from terminated or sold-off businesses
- ▶ Our manufacturing businesses have faced difficult conditions, particularly Nagase ChemteX and Hayashibara, due to the impact of soaring raw materials and utility prices, not to mention a decline in sales due to adjustments in demand for certain high-profit products; however, we expect profitability to recover in FYE March 2024

Growth of Focus Businesses and Portfolio Replacement

Approach to Business Portfolio



[Food-Related]

Expand the Prinova Group market share and launch new plant operations; accelerate the marketing of Hayashibara Fibryxa™

- Expanded trading company market share and strengthened our structure for further growth in the manufacturing businesses, including the launch of operations at the Utah plant
- Accelerated marketing of soluble fiber Fibryxa™ for beverage applications and developed new applications

[Semiconductor-Related]

Pursue spec-in activities in the semiconductor industry

- Expanded trading company sales of processing materials
- Pursued spec-in activities for semiconductor manufacturing in Japan

[Bio-Related]

Integrate fermentation and enzymes groups, and pursue the development and marketing of bio-derived products

- Conducted a reorganization to enhance group synergies by integrating the fermentation and enzymes businesses of Hayashibara and Nagase ChemteX.
- Pursued efforts to launch Green DENACOL™, a bio-derived epoxy compound from Nagase ChemteX.
- Succeeded in developing a bio-based super absorbent polymer (SAP) by combining Hayashibara's enzyme technology with Nagase ChemteX's resin manufacturing technology. Pursued efforts to bring the product to market.
- Continued efforts to mass-produce ergothioneine, a rare amino acid.

[Business Replacement]

Transfer two subsidiaries to reconfigure business portfolio

- Sold shares of Setsunan Kasei Co., Ltd., a plastics compounding company, and Daitai Kako Co., Ltd, a paint manufacturing company.

(reference ;) (100 millions of yen)

Results of Manufacturing	FY2020 Results	FY2021 Results	FY2022 Results
Gross Profit	475	546	617
Operating income	138	169	144

*Results calculated using simple sums

Pursue Profitability and Efficiency - Expand Shareholder Returns and Sales of Cross-Shareholdings

Expand Shareholder Returns

	FY2021 Results	FY2022 Results	FY2023 Forecast
Dividend per share(yen) (interim + year-end)	54 (24+30)	70 (30+40)	80 (40+40)
Share buybacks (100 millions of yen)	60	56	80
Total Payout ratio(%)	48.3	58.9	71.3

Shareholder Return Policy Under ACE 2.0

Dividends: Continue to increase dividends

Repurchase Treasury Stock : Implement flexibility

※Limited to 30.0 billion yen which is the target amount of cross-shareholding sold Under ACE 2.0

·In FYE March 2023, we increased the annual dividend per share by 16 yen compared with the previous fiscal year

We plan to increase dividends by 10 yen per share in FYE March 2024

·Approved a new resolution in May 2023 for share buybacks We expect FYE March 2024 total return ratio to be 71%

Expand shareholder returns to improve capital efficiency in tandem with rising profit levels; improve capital efficiency through business and financial strategies

Sales of Cross-Shareholdings

	FY2020	FY2021	FY2022
Number of holdings (companies)	180 Listed 130 Unlisted 50	137 Listed 85 Unlisted 52	132 Listed 78 Unlisted 54
Balance at end of period (billions of yen)	816 Listed 773 Unlisted 43	632 Listed 593 Unlisted 38	569 Listed 547 Unlisted 21
Percentage of net assets	24.1%	17.8%	15.0%

【FY2022】

Sold shares of 13 holdings for 7.3 billion yen

(Number of holdings includes holdings sold in part)

(Reference: Sold shares in a total of 49 holdings in FYE March 2022 for 7.8 billion yen)

We plan further divestments to reach the 30.0 billion yen divestment target described under ACE 2.0

Pursuit of Profitability and Efficiency - Funds Allocation

- ▶ During FYE March 2023, we generated proceeds of 36.3 billion yen, excluding changes in working capital and deducting investments (expenses) such as DX and R&D
- ▶ We generated proceeds of 9.6 billion yen from the sale of cross-shareholdings and the sale of shares in subsidiaries and affiliates in connection with portfolio replacement
- ▶ Major growth investments include the construction of a new Prinova Group plant (Utah, U.S.A.) for the contract manufacturing of sports nutrition products
- ▶ We continue to balance growth investments with increased returns through a combination of share buybacks and dividends, using funds from the sale of cross-shareholdings

100 millions of yen					
Cash inflow	FY2021	FY2022	Cash outflow	FY2021	FY2022
Operating CF after adjustments *	525	363	Dividends and share buybacks	124	139
Proceeds from sales of cross-shareholdings, etc.	92	96	Investment in DX, R&D, etc.	71	68
Proceeds from change in interest-bearing debt	401	—	Increase in working capital	631	200
Other income	7	9	Other growth investments, etc.	156	173
			Outlays for change in interest-bearing debt	—	25
			Other expenditures	25	20
Total	1,026	469	Total	1,008	628

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

Pursuit of Profitability and Efficiency - Indicators

- ▶ WACC increased by 0.2ppt year on year, mainly due to an increase in the risk-free rate
- ▶ ROIC decreased 0.9ppt year on year due to a decrease in net income and an increase in invested capital
- ▶ We aim to achieve stable ROIC > WACC by improving profitability and capital efficiency

	FY2020	FY2021	Change	FY2022	FY2025 Target
ROE	5.9%	7.7%	(1.1) →	6.6%	8.0% or higher
WACC	5.7%	5.5%	+0.2 →	5.7%	5.0% or lower
ROIC	4.2%	5.3%	(0.9) →	4.4%	5.0% to 5.5%
NET D/E Ratio	0.23	0.33	+0.05 →	0.38	0.5 or lower
Net assets (100 millions of yen)	3,384	3,550	+232 →	3,783	
Interest-bearing debt (100 millions of yen)	1,189	1,665	+131 →	1,796	

Pursue Sustainability - Progress in Corporate Projects

Improve Employee Engagement

(Main FYE March 2023 Initiatives)

- Introduced Activity-Based Workplaces (ABW) at the Tokyo Head Office
- Created opportunities for communication between management and employees
- Furthered discussions on women’s advancement and established related targets



Vitalized communication vertically and horizontally in our organization, making progress in creating more comfortable work environments for diverse personnel

ACE 2.0 Non-Financial Targets (KPIs) and Results

(KPI)
 NAGASE: Engagement survey score of 60 or more
 Group companies: Percentage of companies conducting regular engagement surveys 100%

(FYE March 2023 Results)
 Total score: 56.5 (FYE March 2022: 52.4)
 Percentage of companies conducting regular engagement surveys: 81% (FYE March 2022: 41%)

Carbon-Neutrality

(Main FYE March 2023 Initiatives)

- Invested in Zeroboard Inc.
- Supported visualization of GHG emissions in the printing industry supply chain
- Forest credit creation proof-of-concept



We furthered collaboration with Zeroboard, which provides GHG emissions visualization services in Japan. In addition, we are developing support for emissions visualization, not only in Japan, but also in Southeast Asia. Through proof-of-concept work related to credit creation, which is only gaining in importance, we are building knowledge and expertise in carbon neutrality

ACE 2.0 Non-Financial Targets (KPIs) and Results

(KPI)
 [Consolidated] Scope 1 and 2 reduction rate of 37% or more (compared to 2013)
 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

(FYE March 2023 results) *Provisional values prior to certification body guarantee
 [Consolidated] Scope 1 and 2 reduction rate: 34%
 [Consolidated] Reduction through renewable energy generation and purchases: 524t (cumulative)
 [Non-Consolidated] Scope 2: 1,987t

Evaluations From ESG Rating Agencies

- ▶ We pursue sustainability activities and disclose sustainability-related information proactively
- ▶ We receive higher evaluations year by year from all major external evaluation organizations, particularly in FYE March 2023

ESG Rating Agencies		Highest rated	FY2019 Results	FY2020 Results	FY2021 Results	FY2022 Results
FTSE		5.0	1.2	1.9	2.7	3.5
MSCI		AAA	BB	BB	BBB	A
CDP	Climate Change	A	C	B	B	A-
	Water	A	C	B	A-	A
	Forest	A	C-	C	C	B
	Supply Chain Engagement	A	D	B	B	A
Ecovadis (NAGASE Group)		100	41 —	46 (Bronze)	43 —	48 (Bronze)

*We plan to announce revised ACE 2.0 KGIs, KPIs, etc., in our Q2 results meeting as we move forward with QUICK WIN.



■Inquiries:

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

■NAGASE Group Investor Relations Website:

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

These presentation materials contain projections based on forward-looking assumptions, forecasts, and plans as of May 26, 2023. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.