

FY2023 Financial Briefing

Medium-Term Management Plan ACE 2.0

NAGASE&CO.,LTD.

Stock exchange listing : Tokyo (Prime Market)

Code number : 8012

May 24, 2024

Delivering next.

“Next” connects us to the future.

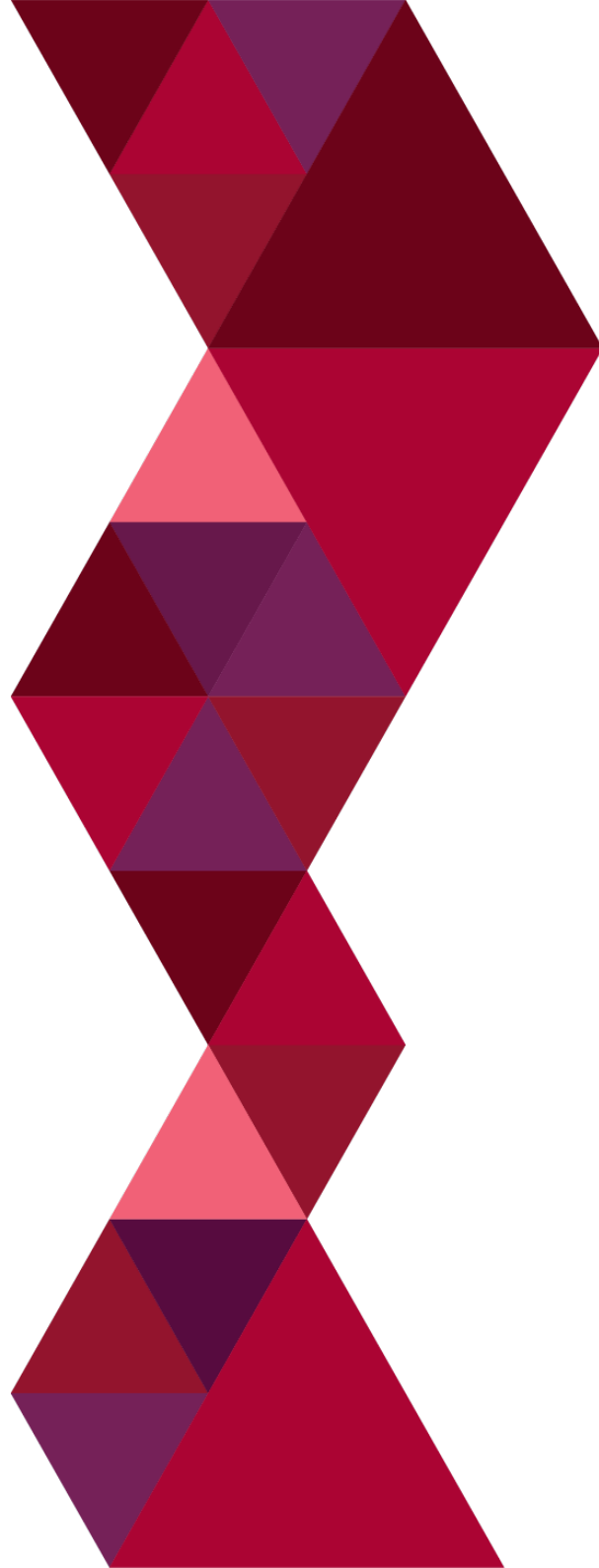


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Medium-Term Management Plan **ACE 2.0**



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

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

FY2023 QUICK WIN Status -Laying the Groundwork for Change-

Evolve Our Business and Financial Portfolios

Strengthening of front-line capabilities

Growth strategy

Liquidation of unprofitable businesses



Strengthen Management Governance

Reorganization

Delegation of authority

Acceleration of management

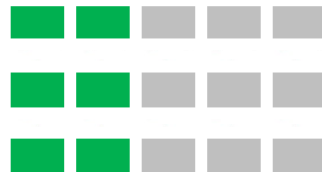


Restructure Our Human Resources Portfolio

Succession planning

Human resources training

D&I



Strengthen front-line capabilities and improve capital efficiency

ROIC management

Digital utilization

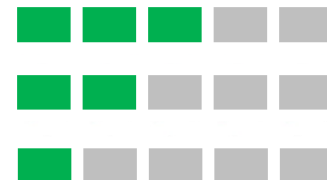


Increase management efficiency and decision-making speed

Decision-making Functions

Elimination of waste

Collaboration



Maximize human capital and improve engagement

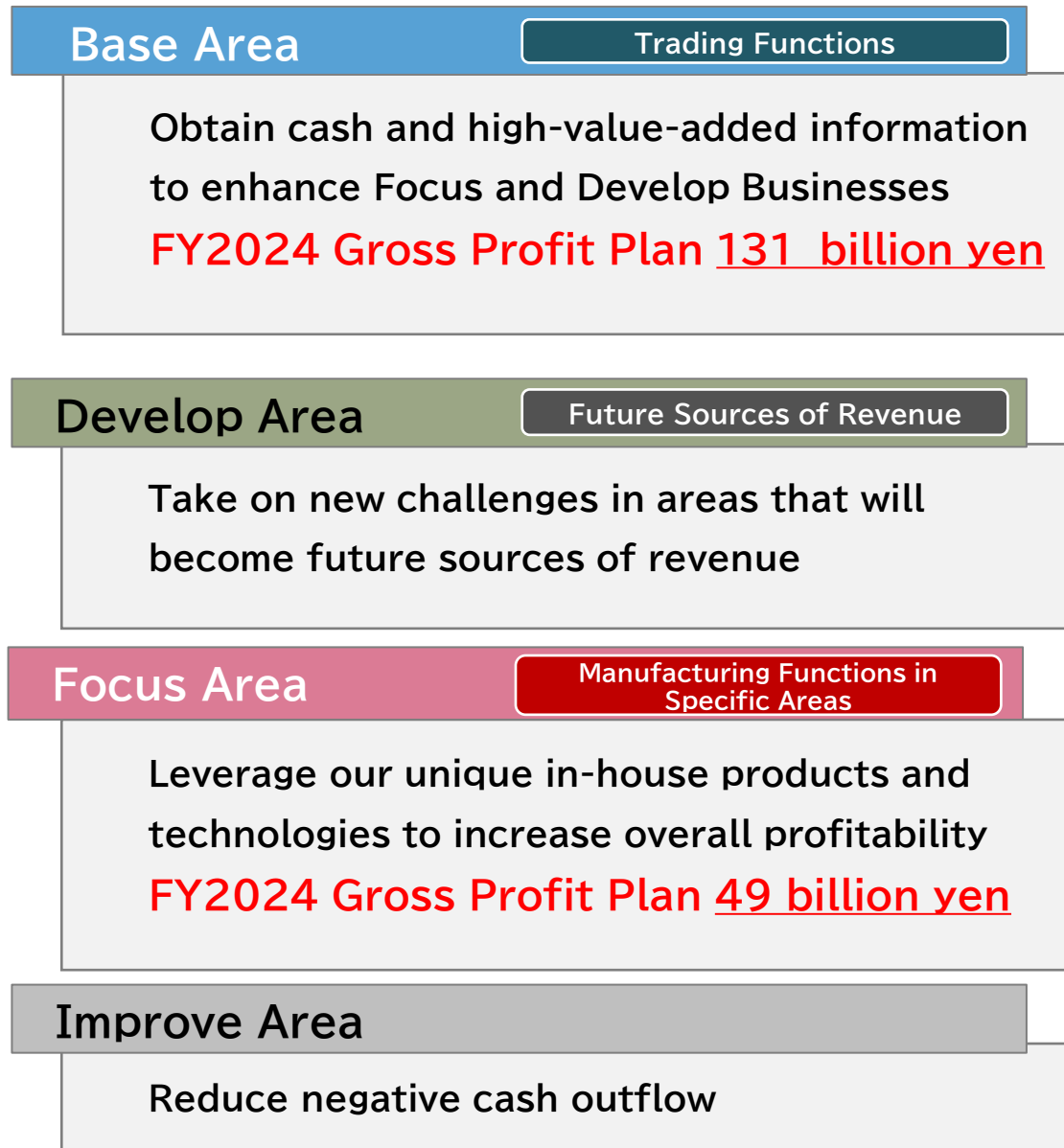
Engagement

Utilization of extended employees

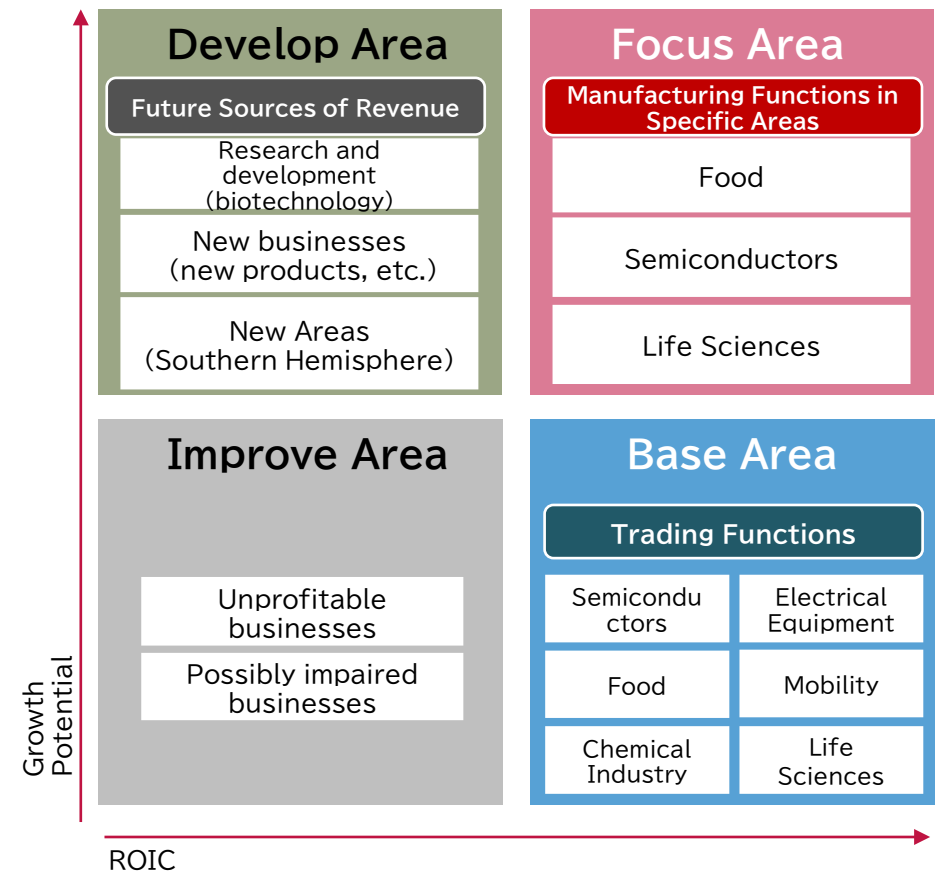


Growth Strategies for the Future

Reorganize every Area based on the functional axis between trading company, manufacturing, and R&D functions.



Potential investments
(Approximately 80 billion yen)
 in Focus and Develop businesses after 2023



Focus

Strengthening Our Semiconductor Wafer Bumping Business

Expand the electroless plating line in Penang, Malaysia (PacTech Asia Sdn. Bhd.) and invest 1 billion yen

Expand PacTech Asia semiconductor wafer bumping facilities for wider adoption in smartphones and electronic devices

- Achieve low cost and low power consumption with our core technology in WLP* using electroless plating while expanding applications with advanced control technology for chemical concentration and temperature, etc.
- World's leading share in the WLP contract processing market based on WLP using electroless plating
- Strengthened line with an investment of 1 billion yen and launched operations in April 2024
- Investment to increase production capacity to 150% of previous levels

* WLP: Wafer Level Package



Nagase ChemteX Semiconductor Molding Compounds

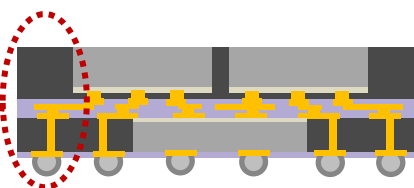
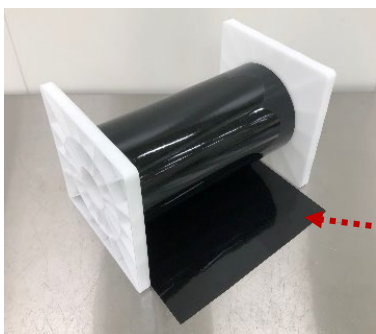
a-SMC: advanced Sheet Molding Compound

Proposing New Concept Materials for Advanced Semiconductor Packaging

- Lineup including liquid molding compounds (LMC), which currently occupy a large share of the market, and a new concept of sheet molding compounds (a-SMC) to meet the increasingly diverse and complex needs of advanced semiconductor packaging, including 2.XD/3D, WLP*1, and PLP*2
- Offer solutions for next-generation packaging through a multifaceted approach, aiming to become the industry standard

Features

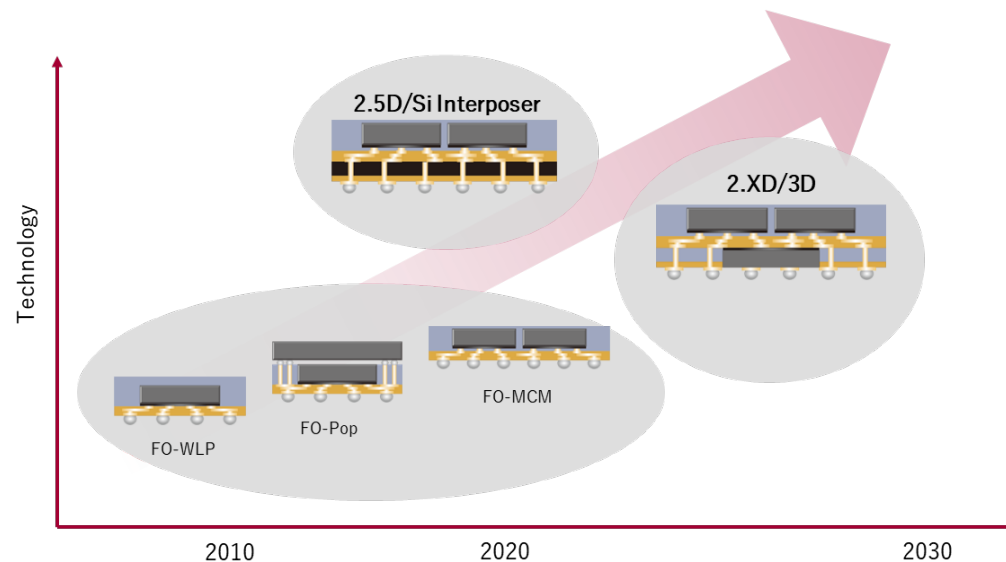
- ✓ Uniform molding through resin application and flow
- ✓ PLP and other large-area moldability
- ✓ Low warping
- ✓ High flowability comparable to liquid molding compounds



*1 WLP: Wafer Level Package

*2 PLP: Panel Level Package

Packaging Technology Roadmap



Focus

Recovery and Recycling Business of Developer Solution in Semiconductor Manufacturing Process

First in Japan to commercialize recovery and recycling of developer solution used in semiconductor manufacturing

Provide solutions to reduce environmental impact in the manufacturing process of the semiconductor industry, which is expected to increase future production volume

Semiconductor Manufacturers



TMAH^{*1} (Developer Solution)

TMAH Effluent

Waste
water
Treatment

Pretreat
ment

Recovery

Concen
tration

60% TMAC^{*2}
(Raw Material)



SN Tech
(Higashi-Osaka No.2
Plant)

Electrolysis/
Purification

Benefits NAGASE Offers to Society and Customers

- TMAH, water reuse
- Energy reduction
- Reduced industrial waste disposal

25% TMAH for semiconductors



NAGASE
Delivering next.



Nagase ChemteX

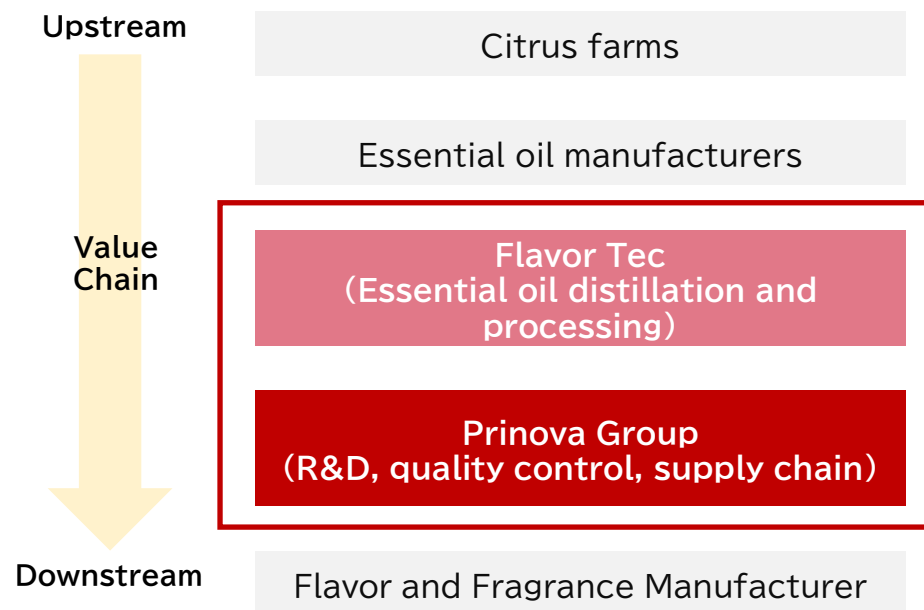
*1 TMAH: Tetramethyl Ammonium Hydroxide

*2 TMAC: Tetramethyl Ammonium Chloride

M&A in the Prinova Group

Operate vertically integrated business in the aroma business and expand business into Brazil

- Acquired Brazilian essential oil refining and processing company, Flavor Tec, in FY2023
- Acquiring this high-quality distillation and processing company in the citrus essential oil field **enabled the vertical integration of business** from raw material processing to sales
- **Strengthen sales and customer proposals** by enhancing essential oil processing technology and improving the quality of procured raw materials



We will engage in distillation and processing in South America, the world's largest citrus-producing country, to reduce significantly logistics costs and environmental impact in raw material transportation and **provide sustainable solutions**

Progress in Improving Business Initiatives

- Reduced losses by approximately 3 billion yen compared to FY2022
- Certain subsidiaries posting operating losses have decided on a business direction and begun implementing action plans

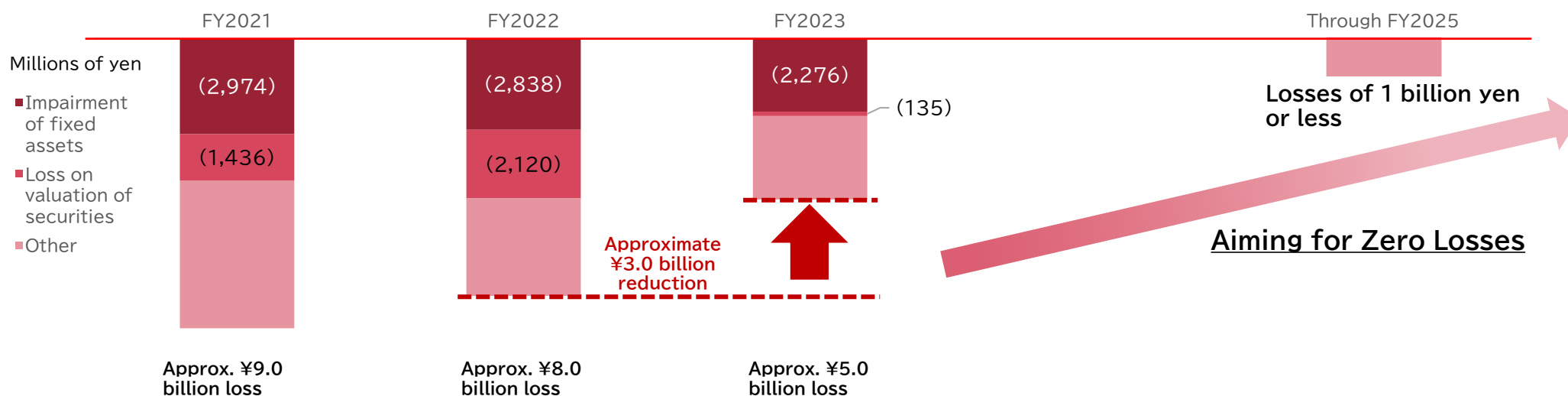
Improvement Targets

1. Operating loss among subsidiaries and equity in losses of affiliates
Develop and implement improvement plans as early as possible.
Study withdrawing from businesses not expected to improve.
2. Assets at risk for impairment loss
Strengthen monitoring of assets at risk of future impairment; minimize impairments
3. Unprofitable transactions
List and monitor all cases; return rights for businesses not expected to improve

Initiatives

- Decided to halt color former business production in the U.S.
- Strengthen monitoring before risks arise about impairment losses
- Improve profitability by listing individual unprofitable transactions

[Operating Loss, Loss in Equity, Impairment Loss, and Unprofitable Transactions With Operating Subsidiaries]



Pursuit of Profitability and Efficiency - Indicators

- ▶ WACC increased 0.2% compared to FY2022 mainly due to increased net assets
- ▶ ROIC decreased 0.4% compared to FY2022 due to a decrease in net income and an increase in invested capital
- ▶ Sold 7.1 billion yen of strategic cross-shareholdings in FY2023, resulting in a total of 22.4 billion yen in total sales over the three-year period of **ACE 2.0**

	FY2020	FY2021	FY2022	Change	FY2023	
ROE	5.9%	7.7%	6.6%	-0.7 →	5.9%	
WACC	5.7%	5.5%	5.7%	+0.2 →	5.9%	
ROIC	4.2%	5.3%	4.4%	-0.4 →	4.0%	
NET DE ratio	0.23x	0.33x	0.38x	-0.10 →	0.27x	
Net assets (100 million yen)	3,384	3,550	3,783	+229 →	4,013	
Interest-bearing debt (100 million yen)	1,189	1,665	1,796	-127 →	1,669	
Strategic cross-share holdings	Cumulative sales during the mid-term plan (100 million yen)		78	152	+71 →	224
	Percentage of net assets		24.1%	17.8%	15.0%	+0.4 →

Pursuit of Profitability and Efficiency - Shareholder Returns

- ▶ Decided on a 100% total return ratio as a limited measure for FY2024 and FY2025 to control capital growth and ensure an ROE of 8.0% or higher in the final year of **ACE 2.0**
- ▶ Resolved to cancel 3 million shares of treasury stock

Change in Shareholder Return Policy

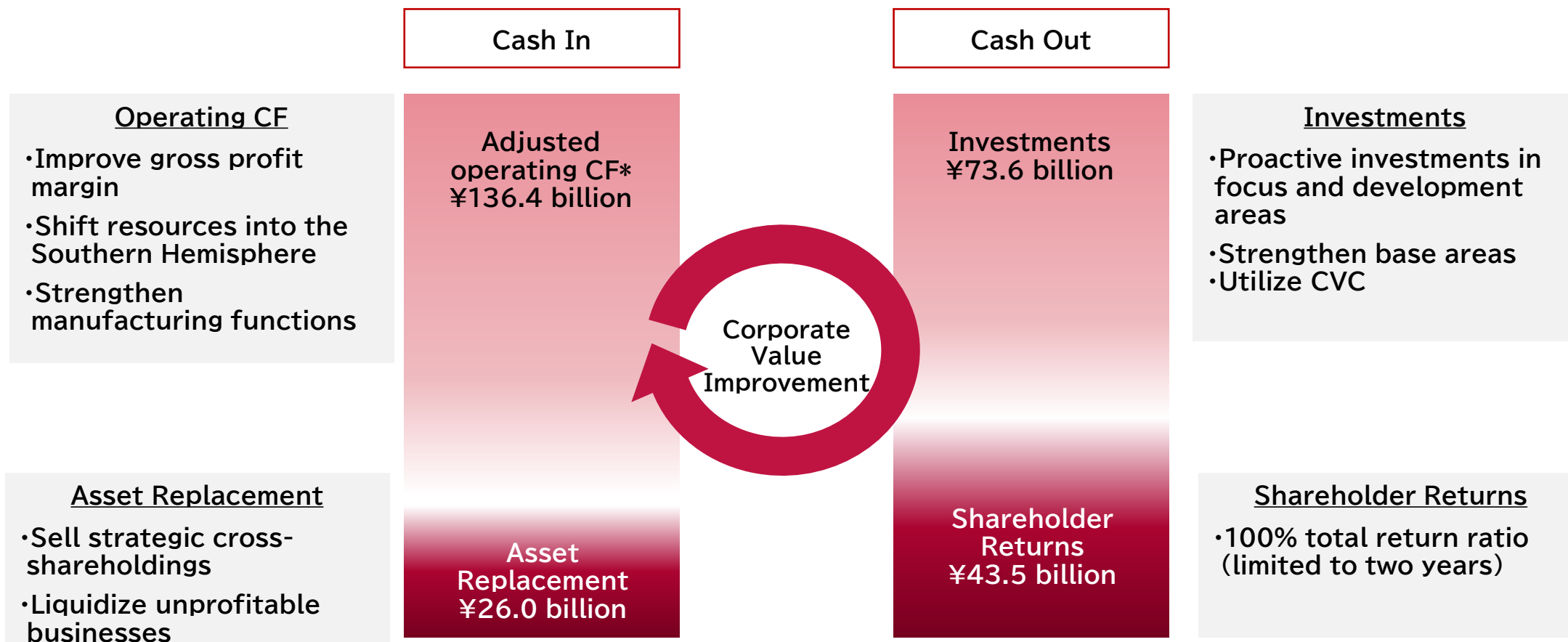
	Existing Policy	New Policy (Through FY2025)
Total return ratio	—	100%
Dividend	In principle, a continuous increase in dividends	In principle, a continuous increase in dividends
Share buybacks	Opportunistic implementation up to the amount of strategic cross-shareholdings sold	Opportunistic implementation *No change

Shareholder Return Results and Forecasts

	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 Forecast	FY2025 Forecast
Dividend per share (yen)	54	70	80	85	—
(Interim + Year-end)	(24+30)	(30+40)	(40+40)	(40+45)	—
Share buybacks (100 million yen)	60	56	80	100 + α	—
Total return ratio (%)	48.3	58.9	76.5	100%	100%

Cash Allocation

- ▶ Increase operating CF by expanding business scale and improving profitability while conducting proactive asset replacement
- ▶ Set a 100% total return ratio for the next two years of **ACE 2.0** and continue to expand growth investments while leveraging debt



*Operating CF excludes changes in working capital and recorded DX and R&D expenses, etc.

Pursue Sustainability - Progress in Corporate Projects

Improve Employee Engagement

(Main FY2023 Initiatives)

- Encouraged dialogue between management and employees
- Implemented the PDCA cycle to improve engagement based on analysis of survey results in each organization
- Revised the personnel system to clarify roles and duties, achieve a high degree of compensation linkage, and abolish seniority-based management, which enabled the Company to allocate more dynamic human resources and employ a diverse range of highly specialized human resources (from FY2024)



Establish a system in which diverse human resources can work and develop their careers according to their abilities and desires, and feel highly satisfied in their work

Non-Financial Targets (KPIs) and Results	FY2021	FY2022	FY2023	FY2025 Target
Nagase (Non-Consolidated): Engagement Survey Total Score	52.4	56.5	56.0	60 or higher
Group companies: Percentage of companies conducting regular engagement surveys	41%	81%	86%	100%

Carbon Neutrality

(Main FY2023 Initiatives)

- Collected and integrated primary data with Fujitsu Limited and Zeroboard Inc., successfully calculating GHG emissions of the final product (notebook PC)
- Reduced GHG emissions and gained expertise through on-site PPA* initiatives, which utilize the sites of manufacturing subsidiaries, and virtual PPA services
- Consolidated information on NAGASE Group GHG reduction products and services and developed a proposal system for business partners



*Power Purchase Agreement

Progressed measures to visualize and reduce GHG emissions in the supply chain

Non-Financial Targets (KPIs) and Results	FY2021	FY2022	FY2023	FY2025 Target
Consolidated Scope 1 and 2 Reduction Rate (Compared to FY2013)	30%	34%	33%	37% or higher
Emission Reduction Through Generation and Purchase of Renewable Energy (Cumulative)	10 t	523 t	7,488 t	35,000 t or higher
Nagase (Non-consolidated) Scope2	2,514 t	2,014 t	1,810 t	Zero emissions

*Consolidated data includes data for Nagase, Nagase ChemteX, and Nagase Viita
*Data for FY2023 consists of provisional values prior to third-party assurance

Management Conscious of Capital Costs and Share Prices

Policies to Enhance Corporate Value

Execute growth, financial, and capital strategies set forth in the Medium-Term Management Plan ACE 2.0

Current Issue Recognition

- PBR has been below 1x since FY2007
- Cost of equity is more than 8.0% based on dialogue with investors
- Strategic cross-shareholdings of approx. 15% of net assets

Matters to be Addressed

Profitability and Efficiency

- Permeation of ROIC management: Improve gross profit margin and capital turnover
- Reduce unprofitable businesses and unprofitable transactions in business targeted for improvement
- Reduce strategic cross-shareholdings in phases

Capital Costs

- Increase in Shareholder Returns: limited 100% total return ratio for two years
- Leverage debt in growth investments

IR Activities

- Make active disclosures of and expand dialogue with investors



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■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 24, 2024
Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.