

**Briefing Session on Financial Highlights
for the Fiscal Year Ended March 31, 2022 Q&A**

(Date) May 27, 2022

(Time) 10:00-11:00

(Speaker)

Kenji Asakura Representative Director and President

Koichi Sagawa Executive Officer, General Manager of Corporate Sustainability Dept.

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NAGASE Group's Sustainability

[Q1]

I understand you have been reducing your Cross-Shareholdings. Do you plan to reduce your holdings further during the current fiscal year?

[A]

(Asakura) In our medium-term management plan, we have called for the reduction of JPY30 billion in Cross-Shareholdings. We made progress in reducing our Cross-Shareholdings in FY2021, and we plan to make further reductions in FY2022 in line with this policy. These reductions have been factored into our earnings forecast to some extent.

[Q2]

You have achieved the medium-term KGI of JPY35 billion in operating income, and you expect the profit level to exceed the target in FY2022 as well. Do you have plans to revise the medium-term plan or KGI?

[A]

(Asakura) We are pleased to have achieved solid performance for FY2021. We are in the process of running an analysis of the details. I don't know if "tailwind" is the right word, but during the past year, there have been many irregularities, such as foreign exchange rates and price increases, that I have never seen in my 40-plus years of sales experience. At this point, we are estimating that profits from this tailwind will be in

the range of JPY4 billion to JPY5 billion.

We expect to outperform FY2021 in the current fiscal year, and our priority is to make FY2021-level profits the norm. In our medium-term management plan, our primary goal is “pursuit of quality”, which includes improving financial efficiency. Currently, we are promoting activities with the primary goal of making this quality improvement the norm. In answer to your question, we do not plan to report externally on revisions to the medium-term plan or KGI during this fiscal year.

[Q3]

Please tell us whether the current inflation, especially in raw material and fuel prices, are positive or negative for the Company broken down by each segment.

[A]

(Asakura) As to your question of whether the current inflation is positive or negative for our company's performance, we understand that it is generally positive. The situation differs by segment, but we believe that inflation will certainly have a positive impact on the upstream segments that mainly handle materials, functional materials, and processed materials.

As we move downstream, the products we handle become closer and closer to the market, and inflation may have a negative impact on some of our businesses.

However, we expect the electronics-related parts market itself to continue to boom, which will have a positive effect.

Regarding the Mobility segment, we are beginning to transform our business and shift to highly profitable products and components.

We often hear reports that the number of cars produced is increasing or decreasing, depending on the current production volume of semiconductors, and we are also slightly affected by this. However, if our current business operations continue as they are, we believe that inflation in this sphere will also move in a positive direction for us. The segment of greatest concern is the Life & Healthcare segment. As for our own products, we have been raising prices since last year due to the high cost of raw materials and other factors.

Thankfully, we managed to obtain the approval of our business partners for price increase. So far, they have accepted them positively. However, if this inflation were to continue much longer and, for example, if the cosmetics or food industry markets start to stagnate, we could see a slight negative impact on this segment.

[Q4]

How do you view the underlying earnings strength of Prinova? Please tell us if the current profit level includes any one-off factors.

[A]

(Asakura) We believe profits at Prinova are in line with its underlying earnings strength. In particular, Prinova incurred significantly larger selling expenses in the last fiscal year. This is due to the large amount of inventory, called offshore inventory, held over the Pacific Ocean when raw materials are transported from overseas to the US. The associated sales costs and other expenses are ballooning, but despite this situation, we expect to achieve the profits planned at the time of acquisition three years ahead of plan.

Specifically, we believe that the sports nutrition field will grow, especially in Europe and the US, and that it will surely grow in the Asian region as well. We already have many big names and brand holders among our clients. If we can provide solid service to these customers and offer new products, we believe we can expand our business.

In addition, last year, we acquired a sugar- and sweetener-related distributor in the US. In July of this summer, we plan to open a new plant in Utah, US, primarily for the sports nutrition field.

We believe that these factors will surely contribute to the second half of this fiscal year in Japan. We also believe that they will definitely contribute to the expansion of our full-year business performance in the next fiscal year and beyond.

In answer to your question, we believe that one-off factors are very small, and Prinova's earnings will continue to grow in the future.

[Q5]

What is your target operating profit margin in the manufacturing business?

[A]

(Asakura) We have not indicated the profit margin for the manufacturing sector as a whole. However, we can provide you with the numbers for each segment. That is to say, in manufacturing, we have a highly diverse business portfolio that includes bio-related businesses, such as Hayashibara, organic synthesis-related businesses, such as NAGASE Chemtex, and several resin compounding businesses.

Since we do not manage the profit margin of manufacturing businesses as a whole, we are unable to provide you with a number. We ask you for your understanding.

[Q6]

There will remain a large amount of Cross-Shareholdings, even after the sale of JPY30 billion. Do you intend to accelerate the sale of these shares or reduce them to zero?

[A]

(Asakura) We have been steadily reducing our Cross-Shareholdings for several years now. Unfortunately, we are not discussing whether to ultimately reduce the amount to zero at present. However, we have decided to reduce it to a certain level, and in this medium-term plan, we are targeting a reduction of JPY30 billion.

As you say, we understand there will still be some Cross-Shareholdings remaining. We will continue to reduce the amount of Cross-Shareholdings, while confirming the meaning of each of them. However, at this point, we have no intention of taking the number to zero in the short term.

[Q7]

You mentioned that your direct transactions with Russia and Ukraine are negligible and have only a minor impact on our business performance. Specifically, which items are you dealing with?

[A]

(Asakura) It is really a small number, but there are two types of items that come to mind. One of them is food-related materials. The quantity is negligible, but we have shipped Hayashibara's products to Russia and Ukraine in the past.

In addition, as an agency business, we have a business base in Germany as part of our trading company activities. We have shipped organic chemical products to Russia through this base. However, shipments have been halted since the conflict began.

[Q8]

Please tell us about your approach to natural capital. How do you check if your suppliers and customers are engaging in sustainability?

[A]

(Sagawa) Regarding natural capital, we are a member of the RSPO and have agreed to procure sustainable palm oil.

[Q9]

As a trading company, I believe NAGASE has business dealings with many different companies. How do you check the fairness and social nature of these companies? Also, while NAGASE has already obtained RSPO for palm oil, are there any other external certifications that you are considering participating in or obtaining?

[A]

(Asakura) I will answer the first question. We have put a dedicated department in place to analyze all business partners. In particular, we carefully check new business partners from a variety of perspectives.

(Sagawa) Regarding your second question, we are a member of CDP in terms of water and forests. At this time, we are not pursuing other external certifications.

[Q10]

Is there a possibility for your company to obtain an external certification for carbon neutrality based on the science-based target, SBT, standard?

Given your company's detailed disclosure of information and future efforts, we believe that certification is possible. What is the status of NAGASE's consideration of SBT certification?

[A]

(Sagawa) We are now preparing to apply for SBT certification but have not yet reached the point of application at this time. The reason for this is that we are currently scrutinizing our GHG emissions boundary and considering reduction measures. On the other hand, we hear that the SBT side is also taking time to respond to the considerable number of companies that have applied for their certification.

[Q11]

Please explain the expected contribution of commodity prices and voluntary efforts to the operating income growth of JPY2.7 billion projected for the current fiscal year.

[A]

(Asakura) We expect most of the operating income growth to come from voluntary efforts. Naturally, there are both positive and negative factors, and selling expenses are on the rise.

Although we have already factored some of these cost increases into our forecast, we may incur additional expenses in areas over which we do not have complete control. I am mentioning this as a negative factor, but even taking all such factors into account, we expect an increase of JPY2.7 billion in profit this fiscal year. The tailwind from the external environment has not been specifically factored into the current forecast. We believe profits will increase, driven by our market share gains and continued growth of higher-margin products.

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