

May 27, 2022

To Whom It May Concern:

Company Name: NAGASE & CO., LTD.
Representative: Kenji Asakura,
Representative Director, President
Stock Exchange Listings:
Tokyo (Prime Market) Code 8012
Contact: Yoshihisa Shimizu,
Executive Officer,
General Manager,
Corporate Management Dept.
Tel: +81-3-3665-3028

Notice Regarding ISS's Recommendation Against Proposal 3
at the 107th Annual Shareholders' Meeting

NAGASE & CO., LTD. (hereinafter referred to as "NAGASE") confirmed that Institutional Shareholder Services Inc. (hereinafter referred to as "ISS"), an advisory firm for the exercise of voting rights, has issued a report recommending against Proposal 3 of the 107th Annual Shareholders' Meeting to be held on June 20, 2022 (hereinafter referred to as "Annual Shareholders' Meeting").

NAGASE believes that ISS's recommendation against the proposal is based on a mistake of fact, and we would like to explain our position as follows.

We would like to ask our shareholders to review the contents of this explanation to ensure a correct understanding of the proposal.

1. ISS's recommendation and misrepresentation of facts

ISS has established quantitative guidelines stating that it recommends voting against the election of directors if the value of cross-shareholdings of the company concerned accounts for 20% or more of consolidated net assets. In this case, ISS is recommending against the election of director candidates Hiroshi Nagase and Kenji Asakura, because the same ratio at the end of FY2020 violates the quantitative guidelines.

However, because of NAGASE's efforts to reduce cross-shareholdings, the ratio of cross-shareholdings to net assets was 17.8% as of the end of FY2021, and this is stated on page 19 of the Notice of Annual Shareholders' Meeting. NAGASE believes that ISS's recommendation against the proposal does not properly consider NAGASE's track record of reductions and current holdings, and is a judgment based on a mistake of fact.

2. Status of cross-shareholdings

		106th term Fiscal 2020	107th term Fiscal 2021
Number of securities (securities)	Listed	130	85
	Non-listed	50	52
	Total	180	137
Total amount on the balance sheet (million yen)	Listed	77,370	59,371
	Non-listed	4,312	3,863
	Total	81,682	63,235
Net assets (million yen)		338,431	355,092
Ratio of listed stock to net assets		22.9%	16.7%
Ratio to net assets		24.1%	17.8%

3. Reduction policy under the medium-term management plan

Under our medium-term management plan **ACE 2.0** (from fiscal 2021 to fiscal 2025), NAGASE intends to further reduce cross-shareholdings with the aim of improving capital efficiency and enhancing governance. It sets a target of reducing holdings worth 30 billion yen during the period of **ACE 2.0**.

As stated above, NAGASE believe that ISS's recommendation against the proposal is a judgment based on a misconception of facts, and that the ratio of cross-shareholdings to net assets should not be considered as a reason to oppose the proposal.

We would like to ask our shareholders to review the contents of this explanation to ensure a correct understanding of the proposal.

End