

To Whom It May Concern:

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Notice Regarding Introduction of Performance-Linked Stock-Based Compensation Plan for Directors

At the Board of Directors meeting held on May 10, 2022, NAGASE & CO., LTD. (hereinafter referred to as "NAGASE") resolved to introduce a performance-linked stock-based compensation plan ("the Plan") for the Company's using a trust for NAGASE's directors (excluding outside directors, as described below). NAGASE also resolved to submit a proposal for the introduction of the Plan to the 107th Annual Shareholders' Meeting scheduled to be held on June 20, 2022 ("the Meeting").

1. Introduction of the Plan

Remuneration for NAGASE's directors has consisted of fixed (basic) remuneration and performance-linked remuneration. Now, NAGASE has decided to introduce a new stock-based compensation plan for its directors. The purpose of the Plan is to establish a clear link between remuneration for directors and NAGASE's performance and share value and for directors to share the benefits and risks associated with fluctuations in NAGASE's share price with shareholders, thus raising awareness about contributing to improved business performance and increased corporate value over the medium to long-term.

With the introduction of the Plan, remuneration for NAGASE's directors will consist of fixed (basic) remuneration, performance-linked remuneration, and stock-based compensation.

The introduction of the Plan is subject to approval at the Meeting.

In addition, if the introduction of the Plan is approved at the Meeting, NAGASE plans to introduce the Plan for executive officers who have entered into a delegation agreement with NAGASE ("Executive Officers") as introduced for NAGASE's directors. In this case, Executive Officers will be beneficiaries of the trust under the Plan like NAGASE's directors. In addition, NAGASE will establish a fund for the acquisition of shares to be delivered to Executive Officers.

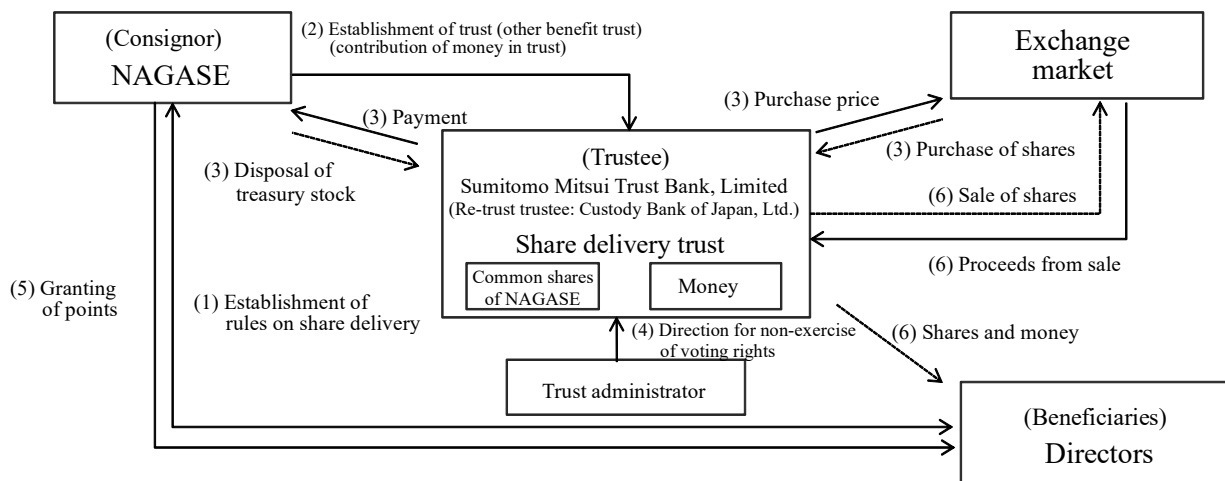
2. Overview of the Plan

(1) Structure of the Plan

The Plan is a stock-based compensation plan under which a trust ("the Trust") established by monetary contribution from NAGASE acquires NAGASE's shares, and the Trust delivers to each director a number of NAGASE's shares equivalent to the number of points granted to each director.

Under the Plan, shares of NAGASE's stock will be delivered to NAGASE's directors who are in office during the four fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2026 ("the Eligible Period"). The timing that NAGASE's shares are delivered to directors shall be in principle upon their retirement from office as director.

Illustration: Plan Structure Overview



- (1) NAGASE will establish rules on share delivery for directors.
- (2) NAGASE will establish a share delivery trust (other benefit trust) with directors as beneficiaries (the Trust). At that time, NAGASE will place an amount of money in trust with the trustee, equivalent to the funds required for acquisition of shares (provided, however, that the funds for acquisition of shares to be delivered to NAGASE's directors shall be within the amount approved by a general meeting of shareholders).
- (3) The trustee will acquire, in a single transaction, an equivalent number of NAGASE's shares that are expected to be delivered in the future (acquisition shall be through the disposal of treasury shares or via an exchange market (including off-floor trading)).
- (4) A trust administrator (who shall be independent of NAGASE and its officers) shall be appointed to safeguard the interests of the beneficiaries subject to the rules on share delivery throughout the trust period and to supervise the trustee. With respect to NAGASE's shares held in the Trust, the trust administrator shall direct the trustee not to exercise voting rights, and the trustee shall not exercise voting rights throughout the trust period in accordance with this direction.
- (5) NAGASE will grant points to directors in accordance with the rules on share delivery.
- (6) Directors who satisfy the requirements stipulated in the rules on share delivery and the trust agreement pertaining to the Trust shall, as beneficiaries of the Trust, receive from the trustee delivery of NAGASE's shares in proportion to the points they have been granted. In the case that certain instances specified in advance in the rules on share delivery and trust agreement are met, a portion of NAGASE's shares to be delivered will be sold on an exchange market and cash will be delivered.

All NAGASE shares constituting residual assets in the Trust at the time of the Trust's termination are to be acquired gratis by NAGASE and then canceled by resolution of the Board of Directors.

In addition, a certain amount of money constituting residual assets in the Trust at the time of the Trust's termination is to be donated to a special public interest promotion corporation with which NAGASE's directors have no conflict of interest, as provided for in the rules on share delivery and the trust agreement in advance.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will entrust (re-entrust) the administration of the trust assets to Custody Bank of Japan, Ltd.

(2) Establishment of Trust

On the condition that the introduction of the Plan is approved at the Meeting, NAGASE will establish the Trust by contributing the funds necessary for the Trust to acquire a number of NAGASE's shares reasonably expected to be required for delivery in accordance with (6) below in advance for a certain period. The Trust will acquire NAGASE's shares with funds contributed by NAGASE as described in (5) below.

Sumitomo Mitsui Trust Bank, Limited, which will be the trustee under the Plan, will entrust (re-entrust) the administration of the trust assets to Custody Bank of Japan, Ltd.

(3) Trust Period

The trust period will be approximately four years, from February 2023 (planned) to August 2026 (planned). However, the trust period may be extended as described in (4) below.

(4) Maximum Amount of Money to be Contributed to the Trust as Funds for Acquisition of Shares

NAGASE will contribute a total of up to 280 million yen as compensation to directors in office during the Eligible Period to fund the acquisition of NAGASE's shares necessary for delivery of said shares to directors under the Plan, establishing the Trust with directors who meet certain requirements as beneficiaries. The Trust shall be funded by money placed in trust by NAGASE, and shall acquire NAGASE's shares via disposal of NAGASE's treasury stocks or from an exchange market (including off-hours trading).

Note: In addition to the funds for acquisition of NAGASE's shares mentioned above, necessary expenses such as trust fees and trust administrator fees will also be entrusted.

In addition, by decision of NAGASE's Board of Directors, the Eligible Period of the Plan may be extended for a period not exceeding five fiscal years on a case-by-case basis, and the trust period of the Trust may be extended accordingly (including the transfer of the trust assets of the Trust to a trust established by NAGASE for the same purpose as the Trust, thereby effectively extending the trust period; the same shall apply hereafter). In this case, during the extended portion of the Eligible Period in question, NAGASE will additionally contribute money in trust necessary for delivery of shares to Directors under the Plan equivalent to 70 million yen multiplied by the number of fiscal years during the extended portion of the eligible period in question. With this, NAGASE will continue to grant points and deliver NAGASE shares as described in (6) below.

In addition, even if the Eligible Period, and therefore the Plan, is not extended as described above, if there are directors who have already been granted points but have not yet retired at the expiration of the trust period, the trust period of the Trust may be extended until such directors retire and the delivery of NAGASE's shares is completed.

(5) Method of Acquisition of NAGASE's Shares by the Trust, Etc.

The initial acquisition of NAGASE's shares by the Trust is planned to be made through disposal of treasury shares from NAGASE or via an exchange market within the limit of the funds for share acquisition mentioned in (4) above. However, the details of the method of acquisition shall be determined and disclosed after the resolution of the Meeting.

During the trust period, in the event that the number of NAGASE's shares in the Trust may fall short of the number of shares corresponding to the number of points to be granted to directors during the trust period due to

an increase in the number of directors or other reason, additional shares may be acquired by placing additional money in the Trust within the limit of contributions to the trust mentioned in (4) above.

(6) Calculation Method and Maximum Number of NAGASE's Shares to be Delivered to Directors

(i) Method of Granting Points to Directors, Etc.

In accordance with the rules on share delivery established by NAGASE's Board of Directors, NAGASE shall, during the trust period, grant points to each director on the point granting date stipulated in the aforementioned rules in proportion to their position, achievement of performance targets, and other factors. However, the total number of points to be granted to directors by NAGASE shall be 67,000 points per fiscal year.

(ii) Delivery of NAGASE's Shares in Proportion to the Number of Points Granted

Directors will receive NAGASE's shares in proportion to the number of points granted in (i) above. One point shall be equivalent to one share of NAGASE's stock. However, in the event of a stock split, reverse stock split, or other event in which it is deemed reasonable to adjust the number of NAGASE's shares to be delivered, the number of NAGASE's shares per point shall be adjusted in accordance with the ratio of this stock split, reverse stock split, or other event.

(iii) Delivery of Nagase Shares to Directors

Each director shall, in principle, acquire beneficiary rights in the Trust by following the prescribed procedures upon their retirement, and as a beneficiary of the Trust, shall receive from the Trust NAGASE's shares mentioned in (ii) above.

However, a certain percentage of NAGASE's shares may be sold and converted into cash by the Trust for the purpose of NAGASE withholding funds for the payment of withholding income tax, etc., and then delivered in cash in place of NAGASE's shares. In addition, in the event that NAGASE's shares in the Trust are converted into cash for reasons such as settlement after submission to a tender offer for NAGASE's shares in the Trust, NAGASE's shares may be instead delivered in cash.

(7) Exercise of Voting Rights

No voting rights pertaining to NAGASE's shares held in the Trust shall be exercised based on directions from the trust administrator, who is independent of NAGASE and its officers. By using this method, NAGASE intends to ensure neutrality toward its management with respect to the exercise of voting rights pertaining to NAGASE's shares held in the Trust.

(8) Handling of Dividends

Dividends pertaining to NAGASE's shares held in the Trust will be received by the Trust and will be used to pay for the acquisition of NAGASE's shares, trust fees paid to the trustee and other costs related to the Trust.

(9) Handling of NAGASE's Shares and Cash on Termination of the Trust

All NAGASE shares constituting residual assets in the Trust at the time of the Trust's termination are to be acquired gratis by NAGASE and then canceled by resolution of the Board of Directors.

In addition, a certain amount of money constituting residual assets in the Trust at the time of the Trust's termination is to be donated to a special public interest promotion corporation with which NAGASE's directors have no conflict of interest, as provided for in the rules on share delivery and the trust agreement in advance.

(Reference) Overview of the Trust Agreement for the Trust

Consignor	NAGASE & CO., LTD.
Trustee	Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
Beneficiaries	Directors and executive officers of NAGASE who meet beneficiary requirements
Trust administrator	A third party to be selected, independent of NAGASE and its officers
Exercise of voting rights	Voting rights pertaining to shares in the Trust will not be exercised during the trust period
Type of trust	Money deposited other than money in trust (other benefit trust)
Trust agreement date	February 2023 (planned)
Trust period	February 2023 - August 2026 (planned)
Purpose of trust	Delivery of NAGASE's shares to beneficiaries in accordance with rules on share delivery

End