

To Whom It May Concern:

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### **Notice Regarding the Issuance of Sustainability Linked Bonds**

NAGASE & CO., LTD. has announced plans to issue its first Sustainability Linked Bonds (\*1), aiming to contribute solutions to social and environmental issues through corporate activities. Today, the company submitted an amended shelf registration statement to the director-general of the Kanto Local Finance Bureau for the issuance of these bonds.

#### **1. Background and Purpose of the Bond Issuance**

The NAGASE Group vision of an Ideal NAGASE for 2032, which is the 200th anniversary of the company's founding, is to be a business designer that creates a sustainable future. In support of this vision, the company formulated a five-year Medium-term Management Plan, **ACE 2.0**, which the company launched in fiscal 2021. In formulating **ACE 2.0**, the company reviewed its existing philosophical framework, formulating the Sustainability Basic Policy as a shared approach to an updated philosophical framework, including its Management Philosophy and Vision. The company also identified materialities related to sustainability.

As an entity that operates globally, the NAGASE Group recognizes that addressing climate change is an important issue to be addressed by the entire group. In January 2022, the group published the NAGASE Group Carbon Neutral Declaration, a policy aimed at achieving carbon neutrality by 2050.

Specifically, the group has set the goal of achieving carbon neutrality by 2050, achieving functionally zero GHG emissions (Scope 1 and 2). By 2030, the NAGASE Group aims to reduce Scope 1 and 2 emissions by 46% (compared with 2013 levels) and Scope 3 emissions by more than 12.3% (compared with 2020 levels) (\*2).

The NAGASE Group believes that achieving the above-mentioned goals will contribute to carbon-neutral and ultimately sustainable societies, deciding to issue Sustainability Linked Bonds to support this goal through the use of financing.

Through the issuance of these bonds, NAGASE will demonstrate its willingness to take a proactive stance toward sustainability, to engage in greater levels of sustainability management, and to contribute to the creation realization of sustainable societies.

## 2. Overview of Sustainability Linked Bonds

Term	10 years
Amount	10 billion yen
Publication Date	June 2022 or later (scheduled)
KPIs	KPI 1 : Greenhouse gas emissions of the group (Scope 1 and 2) KPI 2 : Greenhouse gas emissions of the group (Scope 3)
SPTs (*3)	SPT 1 : Reduce the group's greenhouse gas emissions by 46% in FY2030 (compared to FY2013) (Scope 1 and 2) SPT 2 : Reduce the group's greenhouse gas emissions by more than 12.3% in FY2030 (compared to FY2020) (Scope 3)
Bond Characteristics	<p>SPTs will be established as SPT1 and SPT2. If it is confirmed that any of the SPTs have not been achieved as of the judgment date, emission credits (credits/certificates of CO<sub>2</sub> reduction value) will be purchased in an amount corresponding to the achievement status of the SPTs before the redemption of the bonds in order to accelerate efforts to address climate change. When emission credits are purchased, the name of the credits, the date of transfer, and the amount purchased will be disclosed in the company's integrated report or website. As of this time, the company has identified J-Credit, renewable energy certificates, and non-fossil fuel certificates as candidates. However, the company will make a final decision after careful review of the factors contributing to the non-achievement of the SPTs. If SPT 1 is not achieved, an amount equivalent to 0.10% of the bond issue amount will be purchased. If SPT 2 is not achieved, an amount equivalent to 0.05% of the bond issue amount will be purchased. (If neither SPT is achieved, a total amount equivalent to 0.15% will be purchased.)</p> <p>However, in the event of force majeure, etc., under the emission rights purchase agreement (e.g., changes in trading system rules and regulations, system failures related to the transfer of emission rights, etc.), the company will provide public interest incorporated associations, public interest foundations, international organizations, local government authorized NPOs, local governments and similar organizations that are engaged in environmental conservation activities with an amount equivalent to the amount of the bonds (for the amount of donation based on the achievement of SPTs, please refer to the description in the emission credits section above). The company will make a final decision of which institution to donate to after careful review of the factors contributing to the non-achievement of the SPTs.</p>
Lead Manager	Nomura Securities Co., Ltd. (administrator), Daiwa Securities Co., Ltd., Mizuho Securities Co., Ltd.
Structuring Agent (*4)	Nomura Securities Co., Ltd.

### 3. Conformance of Sustainability Linked Bonds

The company received a second opinion about the bonds from Rating and Investment Information, Inc. regarding the conformity of these bonds with the Sustainability-Linked Bond Principles of the International Capital Market Association (SLBP) 2020, the reliability and environment of this framework, and the beneficial impact on society.

- Second opinion from Rating and Investment Information, Inc.

<https://www.nagase.co.jp/english/sustainability/environment/climate-change/>

- The NAGASE Sustainability Linked Bond Framework

<https://www.nagase.co.jp/english/sustainability/environment/climate-change/>

(\*1) A Sustainability Linked Bond is a bond whose terms vary depending on whether it meets predetermined sustainability and/or ESG objectives. The issuer of a Sustainability Linked Bond commits to improving future sustainability outcomes within an initially defined time horizon.

Specifically, the instrument is based on the issuer's assessment of future performance using predetermined key performance indicators (KPIs) and sustainability performance targets (SPTs). The terms of the bond change depending on whether the SPTs, established as target figures with respect to the KPIs, are achieved.

(\*2) Scope 1, 2, and 3 refer to the categories of greenhouse gas emissions defined in the GHG Protocol, which was developed as an international standard for calculating and reporting greenhouse gas emissions. The company will consider updating the target values for Scope 3 based on future dialogue with entities involved in the supply chain.

Scope 1: Direct GHG emissions by the business itself










Scope 2: Indirect emissions resulting from the use of electricity, heat, and steam supplied by other companies

Scope 3: Indirect emissions other than Scope 1 and 2 (emissions by other companies related to the activities of the business)

(\*3) Sustainability performance targets (SPTs) are targets based on the management strategy of the issuer who determines the terms of issuance of Sustainability Linked Bonds.

(\*4) Structuring agents are entities that provide support for the execution of Sustainability Linked Bonds through the development of the Sustainability Linked Bond framework and advice on obtaining second-party opinions.

(Reference: Value Propositions and Materialities to Stakeholders)

	Delivered Values	Materiality	Related SDGs
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Provide a <b>safe and friendly work environment</b>.</li> <li>• Provide a <b>cheerful, happy, and engaging workplace</b>.</li> <li>• Create a corporate Group that is a sense of pride for employees and their families.</li> </ul>	<p><b>[Use diverse human resources; offer a workplace environment and corporate culture]</b></p> <ul style="list-style-type: none"> <li>• Use advanced technologies to <b>improve productivity and leverage diverse human resources</b>.</li> <li>• Provide a <b>workplace environment</b> and foster a <b>corporate culture</b> as a Group where employees with diverse backgrounds have mutual respect and motivate each other.</li> </ul>	 
<b>Business Partners</b>	<ul style="list-style-type: none"> <li>• Establish a <b>cooperative relationship</b> by <b>gaining deep understanding</b> of business partners, which enables pursuit of a wide range of possibilities.</li> <li>• Provide <b>solutions</b> to issues that need to be tackled throughout the value chain as well as <b>social issues</b>.</li> </ul>	<p><b>[Use of state-of-the-art technology to create new value]</b></p> <ul style="list-style-type: none"> <li>• <b>Create new value</b> leveraging advanced technologies and a network of business partners.</li> <li>• Provide a <b>wide range of solutions</b> based on understanding the true causes of the increasingly complex problems of business partners.</li> </ul>	 
<b>Society and Consumers</b>	<ul style="list-style-type: none"> <li>• Contribute to the development of the local community through <b>legal compliance and ethical management</b>.</li> <li>• <b>Consider</b> the rights, health and <b>comfort</b> of everyone involved in the supply chain.</li> <li>• Provide products and services towards <b>realization of a sustainable world</b>.</li> </ul>	<p><b>[Solving Social and Environmental Issues, and Globalization]</b></p> <ul style="list-style-type: none"> <li>• Solve problems that threaten safety and security, e.g., <b>climate change</b> and food and water shortage.</li> <li>• Contribute to securing and improving <b>food safety</b> by utilizing biotech, AI and other advanced technologies.</li> <li>• Fulfill <b>health maintenance</b> demands due to increasingly aging societies in advanced countries.</li> <li>• Contribute to the acceleration of <b>globalization</b> and solve social issues in each region.</li> </ul>	   
<b>Share holders</b>	<ul style="list-style-type: none"> <li>• Foster trust and a sense of security through a <b>highly transparent management structure</b> and timely and reasonable information disclosure.</li> <li>• <b>Maximize enterprise value by increasing both economic and social value</b> and through continuous business creation.</li> </ul>	<p><b>[Corporate Governance]</b></p> <ul style="list-style-type: none"> <li>• Establish a highly transparent <b>corporate governance</b> system.</li> <li>• Make sustainable <b>improvement of enterprise value</b> by balancing economic value and social value.</li> </ul>	

(Reference materials)

- Medium-term Management Plan ACE 2.0

<https://www.nagase.co.jp/english/company/management-policy/>

- NAGASE Group Carbon Neutral Declaration

[https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20220125\\_1.pdf](https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20220125_1.pdf)

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