Our Board (As of June 21, 2019)





Directors

1. Representative Director and Chairman

Hiroshi Nagase

2. Director and Vice Chairman Reiji Nagase

3. Representative Director, President and CEO

Kenji Asakura

4. Representative Director and **Managing Executive Officer** Ichiro Wakabayashi

Sales & Marketing

5. Director and Executive Officer

Masaya Ikemoto Corporate Administration Group Companies

6. Outside Director Hidenori Nishi 1975 Joined Kagome Co., Ltd.

2000 Director, Kagome Co., Ltd.

2003 Director and Executive Officer, Kagome Co., Ltd.

2005 Director and Managing Executive Officer, Kagome Co., Ltd. 2008 Director and Senior Managing Executive

Officer, Kagome Co., Ltd. 2009 Representative Director and President

Kagome Co., Ltd. 2014 Representative Director and Chairman, Kagome Co., Ltd.

Director, NAGASE & CO., LTD.
2016 Chairman of the Board, Kagome Co., Ltd. 2018 Retired from Kagome Co., Ltd.

7. Outside Director

Nobumasa Kemori

1980 Joined Sumitomo Metal Mining Co., Ltd. 2006 Managing Executive Officer and Director. Sumitomo Metal Mining Co., Ltd.

2007 Representative Director and President, Sumitomo Metal Mining Co., Ltd.

2013 Representative Director and Chairman,

Sumitomo Metal Mining Co., Ltd.

2016 Director and Chairman, Sumitomo Metal Mining Co., Ltd.

Director, NAGASE & CO., LTD.
2017 Executive Adviser, Sumitomo Metal

Mining Co., Ltd.

100% Outside Directors' at FYE March 2019 **Board Meetings**

29% Percentage of Outside Directors

Five years or longer 57% Length of Director Service by Years

Less than five years

43%

Corporation with Board of Directors and Institutional Format . Audit & Supervisory Board / Executive Officer System Adopted **Total Number of Directors Number of Outside Directors Number of Board of Directors** 16 (100% attendance rate by outside directors) Meetings **Director Term of Service** One Year (same for outside directors) Number of Compensation Committee Members 3 (2 outside directors) **Number of Independent Directors** 4 (all outside directors) Independent Auditor Ernst & Young ShinNihon LLC Total Number of Audit & **Supervisory Board Members** Number of Outside Audit & **Supervisory Board Members** Number of Audit & Supervisory 16 **Board Meetings**

Audit & Supervisory Board Members



Audit & Supervisory Board Member Masanori Furukawa



Outside Audit & Supervisory Board Member Nobuyuki Shirafuji

1984 Joined the Sumitomo Bank, Ltd. (currently

Sumitomo Mitsui Banking Corporation) 2003 General Head of the London Group of Global Corporate Investment Dept. of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited 006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London) of

Sumitomo Mitsui Banking Corporation Furone Limited

2013 General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation 2016 Retired from Sumitomo Mitsui Banking

Corporation Audit & Supervisory Board Member, NAGASE & CO., LTD.



Audit & Supervisory Board Member Mitsuru Kanno



Outside Audit & Supervisory Board Member

Sumitomo Mitsui Banking Corporation and

Gan Matsui

1980 Prosecutor, Tokyo District Public Prosecutors

1990 Prosecutor, Tokyo District Public Prosecutors Office (Special Investigative Squad) 2005 Director, Special Trial Department, Tokyo

District Public Prosecutors Office 2010 Assistant Public Prosecutor, Osaka High Public Prosecutors Office

2012 Chief, Criminal Investigations, Supreme Public Prosecutors Office

- 2014 Chief Prosecutor, Yokohama District Public Prosecutors Office
- 2015 Superintending Prosecutor, Fukuoka High Public Prosecutors Office
- 2016 Japan Federation of Bar Associations (Member, Tokyo Bar Association) Yaesu Sogo Law Office
- 2018 Audit & Supervisory Board Member, NAGASE & CO., LTD.

Executive Officers

Naoki Yasuba

Managing Executive Officer Hayashibara Co., Ltd. Nagase R&D Center

Takanori Yamauchi Managing Executive Officer

Nagase Business Expert Co., Ltd.

Satoru Fujii

Managing Executive Officer Nagase ChemteX Corporation

Masatoshi Kamada

Executive Officer CEO, Greater China CEO & COO, Nagase (China) Co., Ltd.

Yasuhiro Mihara

Executive Officer GM, Corporate Planning Department

Takahiro Okumura

Executive Officer Energy Business Office New Value Creation Office

Kusuo Ota

Executive Officer GM, Colors & Advanced Processing Department Nagase Application Workshop

Hiroyuki Ueshima

Executive Officer GM, Mobility Solutions Department Nagoya Branch

Koichi Sagawa

Executive Officer GM, Polymer Global Account Department

Akira Takami

Executive Officer GM, Finance Division GM, Accounting Division

Takayuki Masuda

Executive Officer CEO, ASEAN and India Leader, Regional Operating Centre

Yasumitsu Orii

Executive Officer GM, New Value Creation Office

Ryuichi Uchida

Executive Officer CEO, Americas

CEO, Europe

CEO, Nagase Holdings America Corporation

Takeshi Takada Executive Officer GM, Electronics Department

Noriaki Arashima

Executive Officer GM, Speciality Chemicals Department

Noriyoshi Yamaoka

Executive Officer GM, Human Resources & General Affairs Division GM, BPR & Administration Division

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Value Creation

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Corporate Governance

Basic Approach

In line with the NAGASE Management Philosophy and to keep the promise made to stakeholders in the NAGASE Vision, we established a framework for sustainable growth in any external environment. This framework of our long-term management policy includes Challenges for Growth and Reinforce the Management Platform for Growth. We are improving our corporate value over the medium and long term guided by this framework.

We believe that rapid decision-making and execution, as well as transparency are essential for us to accomplish these initiatives as we engage in strengthening our corporate governance.

Note: Our latest Corporate Governance Report is available on our website. https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20190722.pdf

Initiatives to Strengthen Corporate Governance

| | -2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2012 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|----------------------|------------|-----------|-------------|--|--|-------------|--------------------------------|------|----------|------------|------------|----------|-------|------|-------------------|------|
| President | Hiroshi N | lagase | | | | | | | | | | | Kenji As | akura | | | |
| Chairman of the Board of Directors | Chairma | n | | | | | | | | Presiden | t | | Chairma | n | | | |
| Separation of Management and Business | 20 directors | 11 | 10 | 8 | 10 | | | | | 9 | 10 | | | | 9 | 10 | 7 |
| Execution | | Adopted | executive | officer sys | stem (for f | ttem (for faster decisions and stronger business execution) | | | | | | | | | | | |
| Advisory Board | | | | | 2 | 1 | | | | | | | | | | | |
| Outside Directors | | | | | 1 | 2 | | | | | | | | | | | |
| Outside Audit & Supervisory Board Members | 1994- 1 | Individual | , 1998- 2 | Individuals | ; | | | | | | | | | | | | |
| | Compliance Committee | | | | Risk Management & Compliance Committee | | | | | | | | | | | | |
| | Established Basic (| | | | Complianc | Compliance Policy (2002)/Established NAGASE Group Compliance Behavior Standards (2003) | | | | | | | | | | | |
| Compliance | | | | | Establis | hed Comp | liance Call | Center Ru | les | | | | | | | | |
| | | | | | | | | Internal Promotio Commit | on | Internal | Control Co | mmittee | | | | | |
| Director Compensation | | | | | | | | | | | Compen | sation Con | nmittee | | | | |
| Board Member Appointment | | | | | | | | | | | | | | | | Nominat Commit | |

Compliance with the Corporate Governance Code

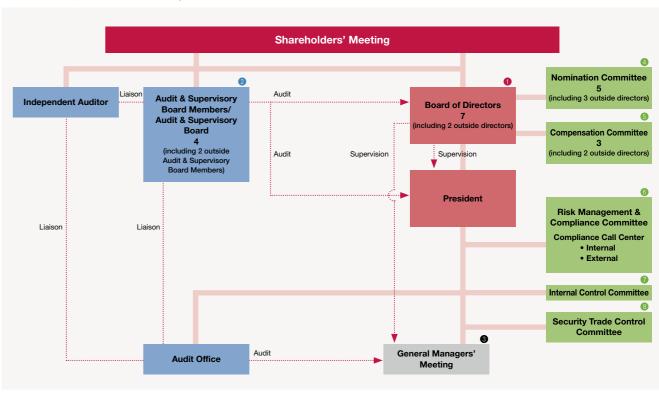
In the fiscal year ended March 31, 2019, NAGASE CO.,LTD. established the Nomination Committee to ensure objectivity and transparency in the nominations put forward for directors and executive officers, as well as strengthen succession planning for these positions. The majority of the Committee is comprised of independent outside directors and Audit & Supervisory Members. In addition, we reduced the number of internal directors by three, reducing the total number of directors from ten to seven, with the aim of enhancing

(As of July 1, 2019)

the effectiveness and vitality of the Board of Directors.
Following internal discussions and dialogue with shareholders, it was decided that the anti-takeover defense measures instituted in 2007 would not be renewed at the general meeting of shareholders held on June 21, 2019. To sustainably provide value to all stakeholders, NAGASE CO.,LTD. will continue to strengthen, manage,

and monitor its governance system.

NAGASE's Corporate Governance System



| 1 Board of Directors | 2 Audit & Supervisory Board/ Audit & Supervisory Board Members | 3 General Managers' Meeting | 4 Nomination Committee | |
|---|---|--|--|--|
| The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. Holding a regular monthly meeting, the Board of Directors makes important decisions, tracks business performance and formulates measures. | In accordance with audit policy and audit plans set at Audit & Supervisory Board meetings, Audit & Supervisory Board Members attend important meetings, such as Board of Directors meetings, and conduct audits of the execution of duties of directors based on reports solicited from subsidiaries on an as-needed basis. | Executive officers attend General Managers' Meetings, where each department provides a status report. Meeting attendees discuss and formulate specific measures. | A majority of the members are outside directors and Audit & Supervisory Board Members. The committee deliberates on appointment proposals for directors and executive officers, and succession plans for the Chief Executive Officer. Then provides reports and recommendations to the Board of Directors with the aim of ensuring objectivity and transparency in nominations of NAGASE's top management. | |
| 5 Compensation Committee | 6 Risk Management & Compliance Committee | | 3 Security Trade Control Committee | |
| With the majority of its members made up of outside directors, the Compensation Committee ensures the objectivity and transparency of the decision-making process regarding compensation of directors and executive officers, by screening the appropriateness of every compensation level and the compensation system to | The Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance but also corporate ethics. The committee also maintains ISO environmental management standards and promotes energy conservation initiatives. | The committee deliberates on the basic policies for the internal control system, builds frameworks established by the internal control system, and monitors the management of the frameworks to ensure the appropriateness of business operations. | The Security Trade Control Committee thoroughly complies with export related laws and regulations in relation to foreign currency exchange and foreign trade for its trading of cargoes and technologies covered by such laws and regulations. | |

Compensation Committee Members

| Chair | Kenji Asakura (Representative Director and President) | | |
|--------|---|--|--|
| Member | Hidenori Nishi (Outside Director) | | |
| Member | Nobumasa Kemori (Outside Director) | | |

Nomination Committee Members

| Chair | Kenji Asakura (Representative Director and President) | | |
|--------|---|--|--|
| Member | Hiroshi Nagase (Representative Director and Chairman) | | |
| Member | Hidenori Nishi (Outside Director) | | |
| Member | Nobumasa Kemori (Outside Director) | | |
| Member | Gan Matsui (Outside Audit & Supervisory Board Member) | | |

Compensation

NAGASE CO., LTD. has established a policy for determining overall board member compensation and methods for calculating the actual amounts. Our basic policy is to ensure compensation is appropriate for the role and scope of responsibilities for each board member and motivates them to sustainably enhance corporate value. In line with this policy, board member compensation (excluding outside directors and Audit & Supervisory Board Members) consists of a fixed basic salary commensurate with the position and performance incentives (bonuses). Performance incentives (bonuses) reflect individual performance based on the Goal Management System after a basic payment

amount is decided, based on Company earnings for the period in question. Compensation for outside directors and Audit & Supervisory Board Members consists only of a fixed basic salary calculated to reflect their work duties. In addition, NAGASE CO., LTD. established the Compensation Committee, a majority of whom are outside directors. This committee deliberates on the validity of compensation standards and systems, reporting to and advising the Board of Directors. This ensures improved objectivity and transparency in the compensation decision-making process.

Breakdown of Compensation and Total Amounts

| Title | Total Compensation | 1 | Number of | | | |
|---|--------------------|--------------------|---------------|-------|---------------------|--------------------|
| Hue | (Millions of yen) | Basic Compensation | Stock Options | Bonus | Retirement Benefits | Eligible Directors |
| Directors (excluding Outside Directors) | 402 | 232 | _ | 170 | _ | 9 |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | 46 | 46 | _ | - | _ | 2 |
| Outside Directors and Audit & Supervisory Board Members | 52 | 52 | _ | _ | _ | 5 |

Important Matters regarding Employee Bonuses for Employees Also Serving as Directors

| Total Compensation (Millions of yen) | Number of Eligible Directors | Comments | | |
|---|---------------------------------|---|--|--|
| 40 | 4 | Paid in an amount equivalent to employee bonus. | | |

Compensation by Type

| Compensation Type | Compensation Content | Fixed/ Variable | Payment Method |
|----------------------------------|---|------------------------------|-------------------|
| Basic salary | A fixed salary is paid commensurate with each director's position | Fixed | Cash |
| Performance incentives (bonuses) | A basic payment amount is decided in line with performance for the period. Incentives reflect individual evaluations based on the Goal Management System. | Variable (by fiscal year) | Cash |

Audit System

Status of Audit by Audit & Supervisory Board Members

The Audit & Supervisory Board comprises three full-time members (one of whom is an outside member) and one part-time member (who is an outside member). Each Audit & Supervisory Board Member conducts auditing activities and reports audit results to the other members. The Audit & Supervisory Board exchanges a wide range of opinions and information.

Full-time members conduct auditing activities throughout the year in line with the Audit & Supervisory Board's audit policies and plans. They attend Board of Directors meeting and other important meetings, review important accounting documents, and audit the performance of directors' duties through hearings from directors, executive officers, and operational departments, including the Audit Office. In addition, full-time members also serve as Corporate Auditors of major subsidiaries and monitor the status of internal control systems in corporate groups. This is done through on-site audits of domestic and overseas subsidiaries and information exchanges with Corporate Auditors of affiliates

While independent auditors perform on-site audits of subsidiaries and on-site asset inspections, Audit & Supervisory members monitor and verify whether independent auditors maintain an independent position and appropriate audits are being performed. In addition, after the end of a fiscal year, the Audit & Supervisory Board conducts an annual auditing activity review in regard to the Audit & Supervisory Board's audit policies and plans. The results of the review are reflected in audit plans in the following fiscal years to enhance the effectiveness of the Audit & Supervisory Board.

Status of Audit by Internal Auditors

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities, including those of subsidiaries, based on internal auditing rules. The Audit Office is staffed by nine employees, including certified internal auditors (CIA), qualified internal auditors (QIA), and other individuals who possess specialized knowledge in internal audits. In addition, in line with the Internal Control Over Financial Reporting system, the Audit Office evaluates internal controls as an independent internal auditor and provides reports regarding the status of internal controls to directors, the Audit & Supervisory Board, and independent auditors, as appropriate.

Status of Audit by Independent Auditor

Independent audits are performed in a fair and impartial manner by the following specified limited liability partners.

| | Certified Public A | Auditing Firm | |
|----------|-----------------------------|-----------------|-----------------------------|
| Sner | Specified limited liability | Hiroyuki Koichi | |
| partners | ners | Hideo Yamamoto | Ernst & Young ShinNihon LLC |
| Man | aging partners | Yasuhiro Takada | |

None of the certified public accountants, who have executed the aforementioned duties, have performed audits continuously for more than seven years.

■ Policies Related to Information Disclosure

Pursuant to the NAGASE Group Compliance Behavior Standards, we engage in ongoing communications with society and our stakeholders through timely disclosure of truly important information over appropriate channels. We are mindful that all corporate activities remain within the bounds of socially accepted norms.

This basic philosophy guides us as we conduct timely, appropriate, and fair disclosure of information through investor relations activities, public relations programs, and websites for our shareholders and investors to improve management transparency and accountability.

Major Investor Relations Activities during Fiscal 2018

| Activity | No. of Events | Comments |
|---|------------------|---|
| Conferences/briefings for institutional investors and analysts | 2 | Financial results disclosure, forecasts, special topics (year-end, interim) |
| Individual meetings for domestic and overseas institutional investors | About 100 | Meetings held separately for institutional investors |
| Individual investor conferences/ meetings | 9 | Conducted at branches of securities companies |
| Overseas roadshows | 1 | President and CFO traveled overseas to meet directly, have discussions with institutional investors |

Reason for Appointment of Outside Directors and Attendance Rates

| | Category | Name | Reason for Appointment | Attendance at FY2018 Board Meetings | Concurrent Titles/Responsibilities |
|-----------|-----------------------------------|-----------------------|--|---|--|
| | Outside | Hidenori Nishi | Hidenori Nishi has been involved in the management of Kagome Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance. | 16/16 | Outside Director, Fuji Oil Holdings Inc. |
| _ | Directors | Nobumasa Kemori | Nobumasa Kemori has been involved in the management of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance. | 16/16 | Executive Adviser, Sumitomo Metal Mining Co., Ltd. Outside Director, JFE Holdings, Inc. Outside Director, Sumitomo Realty & Development Co., Ltd. |
| & Supervi | Outside Audit | Nobuyuki Shirafuji | Nobuyuki Shirafuji possesses a wide range of knowledge based on his many years of overseas experience in financial institutions. He also has many years of experience in audits and audit departments, possessing considerable knowledge regarding finance and accounting. Accordingly, we believe he will properly perform his duties as an outside Audit & Supervisory Board Member. | 16/16 | N/A |
| | & Supervisory Board Members | Gan Matsui | Gan Matsui has a wealth of experience in legal circles and considerable knowledge of compliance and governance. Accordingly, we believe he will properly perform his duties as an outside Audit & Supervisory Board Member. | 12/12 *Mr. Matsui was elected at the ordinary shareholders' meeting on June 22, 2018. | Attorney, Yaesu Sogo Law Office Outside Audit & Supervisory Board Member, Orient Corporation Outside Audit & Supervisory Board Member, Totetsu Kogyo Co., Ltd. Outside Director, Audit and Supervisory Committee Member, GLOBERIDE, Inc. |

Note: Policies and standards for independence regarding outside directors are disclosed in NAGASE's securities reports.

Board of Directors Effectiveness Evaluation

To evaluate the effectiveness of the Board of Directors, we conduct a survey of all directors and Audit & Supervisory Board Members pertaining mainly to the composition, operation, and deliberations of the Board of Directors. The results of the survey are used to evaluate effectiveness at the Board of Directors meetings. The Board of Directors in the fiscal year ended March 31, 2019, was confirmed to have functioned effectively because it deliberated and made decisions appropriately and in a timely manner.

In addition, one issue raised in the previous fiscal year's Board of Directors evaluation was the need to enhance the reporting from each committee in order to strengthen governance. We confirmed that this issue improved as evidenced in part by the annual report from the Risk Management & Compliance Committee. We confirmed two issues this year: 1. the need to enhance deliberations regarding management strategies and important matters and 2. the need to realize a diverse and appropriately sized Board of Directors from a mid- to long-term perspective.

Dialogue

for Value Creation



Interview with the Outside Directors

Enhancing Board Effectiveness to Ensure Medium- to Long-Term Growth

The Role of Outside Directors

Nishi: Throughout the entire NAGASE Group, everyone is working together to create value by leveraging six functions to realize new synergies. Although the manufacturing function is not quite where it should be in terms of engraining important manufacturing concepts, this is steadily improving through various exchanges and discussions within the Group. I have also been tapping into my management experience at Kagome Co., Ltd. to monitor operations and provide advice related to manufacturing management.

Kemori: Outside directors bring different experiences than their counterparts from inside the company. I have experience as a Director at Sumitomo Metal Mining Co., Ltd. Fundamentally, however, I don't think there is that much difference between the two companies. Accordingly, regarding the same management point, I try to facilitate thorough discussion at the Board of Directors meetings while providing a different point of view. As for monitoring, I act as a check on management and am vigilant not to undervalue the more procedural aspects of the job, such as those pertaining to basic formalities.

Corporate Governance of the NAGASE Group

Nishi: I think disciplined autonomy is pivotal. Unless this is established, governance cannot fundamentally improve, regardless of the form of governance or how many outside directors are appointed. Autonomy means each individual fully understands the standards and willingly follows them. Based on that, it is important to regularly consider systems that complement autonomy with third-party oversight to keep up with the changing times. To do that, the key is to identify stakeholders in a real sense, similar to Kagome's strategies including potential users aligninig with its shareholders.

Kemori: There have been several cases of Japanese companies that were unable to rein in out-of-control managers. That kind of situation currently seems inconceivable at the NAGASE Group, but it is still important to plan for environmental factors similar to those cases. In addition, at Kagome and Sumitomo Metal Mining, respectively, Mr. Nishi and I have experienced a wide range of successes and failures. There is rarely an occasion when a discussion lacks reality because of NAGASE's inexperience. Therefore, I think what is clearly vital is that we enrich discussion by sharing the lessons and perspectives gained from our experiences.

The Strengths and Future Potential of the NAGASE Group

Nishi: One of the Group's clear strengths is the fact that it infuses R&D and manufacturing functions into the regions and networks it has cultivated as a trading house. Looking at it from the perspective of resource allocation, you could also call this dispersion. This approach could become a weakness, but at present, the NAGASE Group allocates resources while keeping an eye on the big picture. Because the Group is currently lining up individual elements, it needs to unite these going forward to create a large wave, with an awareness of the increasing importance of the Board of Directors.

Kemori: I concur with Mr. Nishi although I might use different words. The NAGASE Group has a strong network as a trading house as well as manufacturing subsidiaries with global potential, namely Nagase ChemteX Corporation and Hayashibara Co., Ltd. I believe that if the Group can develop these three important strategic resources under a big picture, there will be new growth trajectories. On the other hand, because growth trajectories lead to bigger risks, the Board of Directors needs to engage in thorough discussion of these matters.

The NAGASE Group's Corporate Culture and Medium- to Long-Term Growth

Nishi: I see many good people in the NAGASE Group. Looking at it another way, however, you could also say that there isn't much pointing out. In my experience, that can mean things are great when the sailing is smooth. When you try to effect a change, however, there's always the possibility that it could end up failing. You should keep what works and point out what doesn't work in order to foster a culture where everyone strives to raise the bar. I hope everyone is excited about what's to come for the NAGASE Group in the next few years as it gains a new business model and management skill set.

Kemori: One of the reasons I accepted the role of outside director was the NAGASE Group's Management Philosophy to maintain the highest standard of integrity. Many companies with long histories, including Sumitomo Metal Mining, are basically earnest and hard working. You could say that the NAGASE Group, in actuality, is a group of sincere, dedicated individuals. In addition, as Mr. Nishi said, I have a strong impression of the good people in the Group. However, that is completely separate from my assessment of their work. I pointedly ask about work-related achievements and clarify the factors behind poor performance so it becomes a valuable asset and facilitates future accomplishments. The NAGASE Group is in the middle of a major growth phase. I hope everyone enthusiastically supports this growth over a medium- to long-term perspective.

Risk Management

Basic Approach

The NAGASE Group has both trading house and manufacturing functions and operates multifaceted global businesses, exposing itself to various risks associated with the unique features of its businesses. We therefore need to realize sustainable growth while minimizing harm from emerging risks. Each relevant department has accurately assessed the internal and external risks related to business activities and enacted countermeasures to improve the situation.

Note: Specifically, we established the Risk Management & Compliance Committee to monitor risk management and compliance. We have defined its functions and authority, and it operates under a framework with clear roles and responsibilities

| Main Risk Countermeasures | | | | | |
|---------------------------|---|----------------------------|---|--|--|
| Specific Risks | Product Safety and Quality Control | Security Trade Controls | Regulatory Compliance in Products | | |
| | Internal controls (including financial reporting) | | | | |
| Enter Ri | Compliance | | | | |
| Enterprise Risks | | Data security | | | |
| | BCPs/Business crisis management | | | | |
| | | | | | |

Addressing Company-wide Risks

Internal Controls

The NAGASE Group established an internal control system to build a stable and sustainable corporate foundation for the Group with the aim of enhancing corporate value through corporate activities. In line with the Management Philosophy of maintaining highest integrity, the

internal controls of the NAGASE Group monitor the construction and operation of frameworks defined under the internal control system and ensures the propriety of operations.

Basic Policy of Internal Controls (Index)

- 1. Framework to ensure that duties executed by directors and employees comply with laws, regulations, and the Articles of Incorporation
- 2. Framework related to preserving and managing data regarding the execution of duties by directors
- 3. Rules and other frameworks related to management of loss risks
- 4. Framework to ensure that directors are efficiently executing their duties
- 5. Framework to ensure the propriety of operations throughout the Group comprising the Company and its subsidiaries
- 6. Matters related to employees Audit & Supervisory Board Members need to support their work
- 7. Matters related to ensuring the effectiveness of Audit & Supervisory Board Member directions and the independence of the abovementioned employees from directors
- 8. Framework for directors and employees to report to Audit & Supervisory Board Members and framework related to other reports to Audit & Supervisory Board Members
- 9. Framework to ensure that other audits by Audit & Supervisory Board Members are being conducted effectively

Note: The basic policy related to internal controls is available on our website. https://www.nagase.co.jp/english/csr/governance/

■ Compliance

The Risk Management & Compliance Committee formulates the NAGASE Group Basic Compliance Policy to ensure corporate activities are strictly in line with the NAGASE Group Code of Conduct. Should an illegal act or other issue be discovered at NAGASE & CO. or a group company, such should be reported immediately to the Risk Management & Compliance Committee, which shall report promptly to the Board of Directors and the Audit & Supervisory Board. In addition, the Company has introduced a compliance hotline whereby directors, officers, employees and others, including those from Group companies, can report or discuss issues directly.

Compliance Regulation System Management Philosophy **Basic Compliance Policy** Code of Conduct

Basic Compliance Policy

1. Comply with applicable laws and regulations; conform to internal rules

- Conduct business fairly and in good faith, in keeping with laws, company rules and social norms.
- Conduct work in keeping with internationally accepted norms to ensure our growth as a global enterprise.
- Comply strictly with domestic and foreign laws including laws regarding bribery and competition laws.

2. Eliminate anti-social elements

We firmly reject any anti-social elements that threaten the public order and safety.

3. Provide useful products and services

Contribute to society through useful goods and services.

4. Respect employee personality and individuality

We foster a corporate culture in which employees can contribute with their independence and creativity. We will protect employee health, respect their basic rights, and treat them fairly and without discrimination. We will provide a safe and enriching work environment for our employees.

5. Disclose information

We will ensure management transparency by fairly disclosing corporate information to our stakeholders, including our customers, suppliers, employees, and shareholders.

6. Protect the global environment

We recognize and perform on our responsibility to improve the environment.

7. Responsibilities to top management

The top management of all NAGASE Group members shall take the lead to ensure that the business is administered "with the highest standard of dignity as a member of society".

Note: The Basic Compliance Policy is also available on our website. https://www.nagase.co.jp/english/csr/compliance/policy/

Fair Business Practice Initiatives

Under its Code of Conduct, the NAGASE Group is ensuring strict compliance with laws, regulations, and rules as well as internal regu-

The risk of cartel enforcement, particularly surcharges, under the Antimonopoly Act can have a major impact on a business. Accordingly, the NAGASE Group actively conducts education activities, mainly for our manufacturing companies, to ensure there is no involvement in unfair trade. We intend to strengthen our approach to the prevention of bribery of foreign public officials with respect to Japan's Unfair Competition Prevention Act. To ensure strict compliance with anticorruption measures, we are also educating employees worldwide regarding bribery prevention regulations, reflecting considerations of extraterritorial application of the U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

Education Activities (Fiscal 2018)

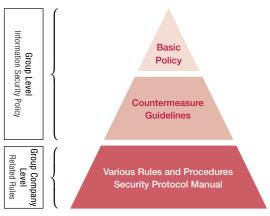
| July 2018 | Targets: All employees of Hayashibara Co., Ltd., Nagase ChemteX Corporation, Totaku Industries, Inc., Nagase Medicals Co., Ltd. Content: Compliance awareness survey |
|---------------|--|
| October 2018 | Targets: Sales representatives of Totaku Industries, Inc. Content: Explanation of the Antimonopoly Act (fixing resale price, cartels) |
| November 2018 | Targets: Managers of Hayashibara Co., Ltd., Nagase ChemteX Corporation, Totaku Industries, Inc., Nagase Medicals Co., Ltd. Content: Presentations on current status of each company based on the results of a compliance awareness survey |
| February 2019 | Targets: All employees of Hayashibara Co., Ltd. Content: Explanation of the Antimonopoly Act (fixing resale price, cartels) |
| March 2019 | Targets: Group manufacturing company managers Content: Overall explanation of compliance activities |

Information Security

The NAGASE Group strongly recognizes the importance of protecting data assets owned and managed in the course of conducting business activities. The economic and social losses incurred from information leaks and other accidents are incalculable. As for information security measures, all NAGASE Group employees are aware of the importance and need to work together Group-wide on this matter.

Regarding the promotion of information security, we have established the Basic Policy of Information Security, as well as the Guideline for Information Security Measures which comprehensively detail recommended security levels and rules that need to be followed. In addition, each Group company creates a manual detailing rules and things to be careful about during daily tasks as well as various rules and procedures outlining how to implement information security countermeasures. We are also fostering greater awareness among all employees through regular education and training.

Information Security Policy and Related Rules



■ Crisis Prevention and Business Continuity Planning

Each NAGASE Group company has taken steps to mitigate such risks as those related to natural disasters that could impact the continuity of business activities as well as the safety and lives of employees.

NAGASE has enacted measures for crisis prevention to protect human life and assets as well as business continuity plans (BCPs) to ensure steady operations. As for crisis prevention activities, we annually conduct one drill that coordinates our major domestic bases of Tokyo, Nagoya, and Osaka, checking the first responses during times of crisis, such as the transfer of head office functions. As for BCPs. each department has formulated a recovery plan to assure delivery to major business partners.

Crisis Prevention Activities Protect human life and assets

- Prevent damage from disasters (reinforce anti-seismic structures. hold drills, etc.)
- Ensure rapid first response to emergencies (Crisis Prevention Head Office) Prevent collateral disaster damage
- · Enact measures for stranded employees
- Recover safely

Ensuring Satellite Office Functions during Crises

The NAGASE Group's training facility NAGASE Global HR Development Center in Shibuya, Tokyo is highly resilient to earthquakes and is equipped with power generators. In an emergency in which the Tokyo head office cannot be used, this facility will function as a satellite office with a 150-person capacity.



NAGASE Global HR Development Center

BCPs Ensure steady operations . Maintain the value chain

- · Continue deliveries at an alternate site
- Prioritize activities that preserve trust

Business Crisis Management

We established the Crisis Management Guidelines to prepare for a business crisis that could disrupt business continuity. The guidelines aim to build a system that can swiftly and appropriately launch on-site first responses as well as a Group-wide organizational response, encompassing an assessment of the real situation, status

reports, action guidance, and more. Another aim is to raise awareness of this system. In an emergency, we will strive to maintain the stability of our business operations and minimize stakeholder losses under the Crisis Management Guidelines.

Responses to Individual Risks

Product Safety and Quality Control

The NAGASE Group considers product safety and quality control a major social responsibility in order to provide customers with safe products and build a safe and secure society. According to the NAGASE Group Product Safety Principles, we strive to ensure the

safety of products through Group-wide rules and education. In addition, the Quality Management Section of the Legal Division provides management of vendors and manufacturing contractors, support to Group manufacturing companies, and internal education.

Note: The Product Safety Principles are available on our website. https://www.nagase.co.jp/english/csr/compliance/product-safety-principles/

■ Nagase ChemteX Corporation

Nagase ChemteX's Fukuchiyama Plant, which manufactures food additives and health food materials, manages everything from the acceptance of raw materials and manufacturing to quality assurance

and product delivery. These practices comply with ISO 9001. Food Additive Good Manufacturing Practices, and FSSC 22000, which is an international standard for food safety that we plan to acquire in fiscal 2019.



Nagase ChemteX's Fukuchiyama Plant

Hayashibara Co., Ltd.

Hayashibara has acquired FSSC 22000 certification for its mainstay product TREHA™. In addition, Hayashibara follows applicable GMPs for its active pharmaceutical ingredients, and pharmaceutical excipi-

ents in the management of everything from the acceptance of raw materials and manufacturing to quality assurance and product delivery.



Security Trade Controls

Trade is the foundation of the NAGASE Group's activities. To conduct appropriate trade in line with laws and regulations as a member of international society, the Security Trade Control Committee works to understand the export control situation, follow the latest revisions to the Foreign Exchange and Foreign Trade Control Law, and ascertain a detailed picture of export controls across the entire Group, while formulating related Group policies. The Item Compliance Management Council is in charge of directing and educating each business division and Group company in matters and statute updates determined by the Security Trade Control Committee. It is the responsibility of the Item Compliance Management Council to protect the Company and affiliates against the risk of illegal acts.

■ Specific Import-Export Management Framework

Information about our export products, technologies, and overseas customers is stored in and managed via our proprietary Product Management System. We confirm whether certain products or Technologies are subject to restriction under the rules of the Foreign Exchange and Foreign Trade Control Law and the U.S. Export

Administration Regulations. Only those products approved by the Item Compliance Management Section are put into the system as products allowed for export.

Going one step beyond mere adherence to the law, we define policies for the entire NAGASE Group associated with security trade controls that, as a rule, prohibit trade of products that are militaryrelated items or that have military applications.

■ Efforts to Promote Personnel Development

The practical business of security trade controls changes every year. To keep pace with developments, the NAGASE Group encourages its employees—primarily those involved in export operations—to become Security Trade Control Associates by taking the exam

offered by the Center for Information on Security Trade Controls (CISTEC).

| Qualified Security Trade Associates (Cumulative) | | |
|--|-----|--|
| Fiscal year ended March 31, 2017 | 856 | |
| Fiscal year ended March 31, 2018 | 890 | |
| Fiscal year ended March 31, 2019 | 947 | |

Regulatory Compliance in Products

The safe handling of chemicals is an important foundation underpinning the NAGASE Group's businesses. At NAGASE, we continue to improve product-related compliance and centralized information management, including management of chemical products. All the products we deal in are subject to our management system. This allows us to comply properly with any laws or regulations that affect our products.

■ Specific Compliance Framework

The NAGASE Group monitors related laws for the chemical components and regulated effects of new products we plan to introduce to the market. We register each chemical component to ensure compliance with every country's laws and regulations that cover particular components. Information related to these products is registered in the aforementioned Product Management System database in an effort to centralize the Group's management of said information. By ioining relevant industry organizations, we have access to the latest information regarding chemical regulations. We endeavor to pass on accurate information to relevant parties in part through our use of chemSHERPA, a tool for sharing information on chemical substances contained in products across the supply chain.

Responding to Global Chemical Laws and Regulations

The Strategic Approach to International Chemical Management (SAICM) adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is adopting more strict and standardized regulations concerning chemical management. Accordingly, we anticipate global regulatory trends related to chemical management, working with our overseas subsidiaries to educate, provide instructions, and adopt product management systems. In this way, we facilitate the global management of information related to chemical substances to provide accurate, up-to-date information to our business partners.

Measures in Various Countries to Implement SAICM

| Region/Country | Inventory | GHS |
|--|---|---------------------------------------|
| Japan | Chemical Substance Control Law | Industrial Safety and Health Act |
| United States | TSCA | HCS (OSHA) |
| EU | REACH | CLP |
| China | na China REACH Regulations on the Safe of Hazardous Ch | |
| South Korea | K-REACH | Occupational Safety and Health Act |
| Taiwan Toxic and Chemical Substances Occupational Safety a of Concern Control Act Health Act | | Occupational Safety and Health Act |
| ASEAN | ASEAN Under development in each country Under development in each | |

Inventory: Existing chemical substance lists in each country GHS: Globally Harmonized System of Classification and Labeling of Chemicals

The Group's Approved Operations and Products

| Manufacture of poisonous and deleterious | Handling of stimulants raw materials |
|---|--|
| substances | Manufacture and sale of Class II medical devices |
| Import of poisonous and deleterious substances | Sale of high-pressure gas (type 1) |
| General sale of poisonous and deleterious substances | Sale of high-pressure gas (type 2) |
| Manufacture of pharmaceuticals | Sale of agrochemicals |
| Categories: packaging, labeling, storage | Sale of fertilizers |
| Sale of pharmaceuticals | Import of animal feed |
| Manufacture of veterinary pharmaceuticals | Sale of animal feed |
| Categories: packaging, labeling, storage | Import of feed additives |
| Wholesale of veterinary pharmaceuticals | Sale of feed additives |
| Export of narcotics, etc. | Sale of liquor |
| Import of narcotics, etc. | Import of alcohol |
| Wholesale and retail of specified narcotics, etc. | Sale of alcohol |
| Export of psychotropics | Wholesale of salt |
| Import of psychotropics | Specified sale of salt (import/export) |
| Export of stimulants raw materials | Construction (installation of machinery and |
| Import of stimulants raw materials | equipment) |

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Environment

Environmental Management

Basic Environmental Approach

The NAGASE Group aims to realize a sustainable world where people live with peace of mind. We believe a prerequisite of this vision is a sustainable global environment.

Currently, changes in the global environment are pressuring companies and individuals to make big decisions. The NAGASE Group helps realize a sustainable society by actively working to solve environmental problems, including by promoting a low-carbon society, realizing a recycling society, preventing pollution, preserving biodiversity, and efficiently using water.

Environmental Policy

Comply with all environmental laws, regulations and other rules

We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.

2 Develop businesses that give full consideration to environmental issues

We will conduct our business activities in full awareness of the need to preserve ecosystems and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and economic feasibility.

§ Fulfill our responsibilities as a good corporate citizen

As a good corporate citizen, we will work together with public institutions, industries, and local communities to promote environmental conservation measures that are suitable for the NAGASE Group.

 Environmental management systems and continuous improvement

The NAGASE Group has set environmental targets to achieve our environmental policies. Further, we have established and operate an environmental management system, striving for continuous improvement.

⑤ Disclose and make the relevant parties fully aware of our Environmental Policy

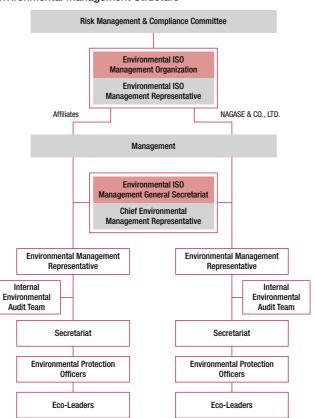
We will disclose our Environmental Policy to the public and make all who work for the NAGASE Group fully aware of its contents.

Note: The NAGASE Group Environmental Policy is available on our website. https://www.nagase.co.jp/english/csr/environment/policy/

■ NAGASE Group Environmental Management Activities

The NAGASE Group began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee, a role currently assumed by the Risk Management & Compliance Committee. The committee encouraged and supported certification for ISO 14001, an international standard for environmental management systems. Today, NAGASE & CO., LTD. operates an environmental ISO organization that includes six other group companies: Nagase Chemical, Nagase Plastics, Nagase Abrasive Materials, Nishinihon Nagase, Nagase Elex, and Nagase-OG Colors & Chemicals. Japan group companies Nagase Chemtex, Nagase Medicals, Totaku Industries, Nagase Techno-Engineering, Nagase Techno Service, and Fukui Yamada Chemical have received independent certification. We will continue activities to improve environmental management systems among certified group companies.

Environmental Management Structure



■ Environmental Management Structure

We incorporate environmental management activities into our daily business activities. Specific activities include (1) promoting environmental businesses, (2) pursuing energy-efficient activities, and (3) improving operational efficiencies.

One example of our environmental businesses is using the technologies from our key environment and energy segment to develop and grow other businesses. We are building a system to quickly roll out products and services toward creating recycling-oriented and low-carbon societies.

One example of energy-efficient activities is the Nagase Energy Calculation Online System, or NECO System. We began operating this system in August 2008. The NECO System uses logistics voucher data to calculate domestic cargo transport volumes, helping reduce our environmental footprint through logistics efficiencies.

In addition to calculating annual cargo transport volume and CO_2 emissions, the system analyzes optimal transport routes to reduce CO_2 , aiding our efforts to reduce energy used in transportation.

We are also taking action in our headquarters building to conserve energy and resources.

■ Reducing Our Ecological Footprint

In line with the Revised Act on the Rational Use of Energy, NAGASE & CO., LTD. has been designated as a specified corporation by the Bureau of Economy, Trade and Industry, as our energy usage exceeds fixed levels. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulating medium- and long-term energy reduction plans and submitting regular reports to the Bureau of Economy, Trade and Industry.

We adopted and operate a building energy management system (BEMS) at our Tokyo head office building, Nagoya branch office, and NAGASE Global HR Development Center. We automated controls and energy conservation operations during summer peak usage times to keep environmental settings within target levels.

■ Environmental Performance Data

Electricity Usage

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 |
|-------------------------|-------------|-------------|-------------|
| Electricity Usage (kWh) | 6,131,628 | 6,068,534 | 5,825,310 |

Waste and Recycling

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 |
|-------------------|-------------|-------------|-------------|
| Waste (t) | 189 | 194 | 193 |
| Recycling (t) | 154 | 156 | 158 |
| Recycling (Ratio) | 81.7% | 80.6% | 81.8% |

Participating Companies: NAGASE & CO., LTD.

CO₂ Output

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 |
|---|-------------|-------------|-------------|
| CO ₂ Output (t-CO ₂) | 3,196 | 3,070 | 2,765 |

Paper Usage

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 |
|----------------------------|-------------|-------------|-------------|
| Paper Usage (1,000 sheets) | 5,431 | 4,603 | 4,585 |
| Paper Usage (t) | 23.4 | 19.7 | 19.6 |

CO₂ Output from Logistics Activities

| | Fiscal 2016 | Fiscal 2017 | Fiscal 2018 |
|---|-------------|-------------|-------------|
| CO ₂ Output (t-CO ₂) | 1,840 | 2,044 | 2,268 |

Fukui Yamada Chemical Received the Fukui Governor's Award for Excellence in Energy Management by Businesses

In 2019, Fukui Yamada Chemical Co., Ltd., which manufactures Color Former functional dyes for printing receipts, tickets and more, received the 2018 Fukui Governor's Award for Excellence in Energy Management by Businesses. This award is given to companies that take excellent energy-saving measures.

Fukui Yamada Chemical is taking energy-saving measures in an effort to reduce the amount of electricity and heavy oil used at its plants. In 2016, the company established the Safety Planning and Energy-Saving Office. The company reduced its idling electricity usage by visualizing the operating status of its machines and then staggering the peak hours of multiple machines to improve efficiency.

As a result of these repeated efforts, the company was able to reduce electricity usage by around 12% and heavy oil by about 16% year on year in fiscal 2018 in terms of the energy needed to manu-

facture one kilogram of products. This achievement was one of the citations for the award.

The ceremony for the Fukui Governor's Award



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Training and Supporting Our Human Resources

■ The NAGASE Group HR Development Policy and Approach

The NAGASE Group believes that human resource development strengthens the business foundations undergirding the Group's growth. We hold Group-wide training by job title and sponsor ongoing training for local staff, engaging in global unified human resource development programs that bring the comprehensive functions of the NAGASE Group to bear.

HR development programs form the foundation of our corporate activities. These programs consist of an organized combination of on-the-job and off-the-job training. On-the-job training lets employees experience real-world work in a variety of roles to gain new knowledge and skills. Off-the-job training also involves training and gaining skills

through both formal lectures and self-directed learning. The NAGASE Group promotes on-the-job training, while at the same time ensuring employees are able to learn knowledge and skills for their continued growth. These programs include rank-specific training for young staff, training for managers, and position-specific training to ensure employees have the necessary knowledge and skills to perform their work.

We have emphasized the following three points among our various development policies. We will continue to revise Group education and training programs according to changes in the external business environment and NAGASE Group strategy.

Strengthening Management Capabilities and Operating Skills and Fostering Globally Proficient Personnel

1 Promote globalization

- Assign employees to overseas entities
- Send employees to overseas business school
- Provide cross-cultural training
- Offer English language training support

2 Train managers

Improving awareness in competitive environment (send employees to business school or MBA basic training, etc.)

Instill shared values

- Provide shared value workshops in rank-specific training
- Offer shared value workshops for managers
- Conduct surveys regarding shared value
- Revise programs as needed in line with changes in the external environment going forward

Note: The Group's HR development programs is available on our website. https://www.nagase.co.jp/english/csr/employees-relations/

Basic Stance on Diversity

The NAGASE Group believes that diversity is an important part of overall corporate strategy. To nimbly respond to changes in the environment, we need to ensure we have human resources with a wide variety of ideas and perspectives, both in Japan and overseas.

Having a diverse range of employees encourages more dynamic discussions and leads to new ideas that become the source of competitive advantage in the market. This in turn leads to the growth of both the NAGASE Group and each individual employee.

Themes for Diversity Promotion

1. Internal education

- ① Periodic messages from top management and broadcasts of related information
- ② Instill the NAGASE Management Philosophy, NAGASE Vision, and NAGASE Way deeply into NAGASE Group employees

2. Diversity in organizations and individuals

- ③ Improve global communications
- Support employees' career development
- (§) Continue employing non-Japanese people and women as main career track staff and improve our corporate culture

3. Develop good places to work

- (6) Instill awareness and activate initiatives for continuity and productivity improvements
- Support employees who are dealing
 with home care or other challenges

Discussions among Employees who Have Various Backgrounds

Frank Exchanges of Opinions

Sharing New, Value-Added Ideas New Proposals to Customers Company Growth and Contribution to Society

Empowering Women in the Workplace

The NAGASE Group believes empowering female employees to be an important initiative for promoting diversity. We have been actively leveraging the power of our female workforce in business, by hiring more women in core roles, promoting more women to management, and expanding their career opportunities. We are also focused on fostering an environment where women can promote work life balance and continue their career, by enhancing the support for employees with child rearing and caregiving needs. Although the number of women in management has improved, it is still an

ongoing challenge for us to achieve further increases. The proportion of women among all employees is also not high, so we will continue to improve the situation by increasing the number of women's employment.



Kurumin Load

Our Benefit Programs for Promoting Work-Life Balance

| Program | Overview |
|---|---|
| Maternity leave | Leave from six weeks before giving birth to eight weeks after the birth |
| Parental leave | Leave for raising children (for both male and female employees) |
| Time off for childcare | Time off for nursing sick/injured children |
| Reduced working hours for child-rearing | Reduction of working hours for employees with child-rearing needs |
| Flextime for childcare | Flexible working hours for child-rearing |
| Subsidy for childcare service | A subsidy that covers a part of the childcare service cost |
| Time off for caregiving | Time off for caregiving for a family member |
| Caregiving leave | Leave for caregiving for a family member |
| Reduced working hours for caregiving | Working hours reduced for employees with caregiving needs |
| Flextime for caregiving | Flexible working hours for employees with caregiving needs |
| Subsidy for caregiving service | A subsidy that covers a part of the caregiving service cost |

Hiring People with Disabilities and Posting Non-Japanese Employees to Core Positions

■ Hiring People with Disabilities

The NAGASE Group strives to create a work environment where everyone can thrive together, regardless of whether they have a disability or not. We respect the capabilities of each employee, and foster an environment where they can excel with reasonable accommodation for disabilities.

■ Posting Non-Japanese Employees to Core Positions

The Group is expanding its business in various countries and regions around the globe. Based on the basic approach of respecting the diversity of employees' ideas and perspectives, we are posting outstanding non-Japanese employees to core positions in accordance with the needs of each country, region, and company.

Respect for Human Rights

Basic Approach

As a corporate group doing business around the globe, the NAGASE Group respects the history, culture, and customs of every region, and we do not engage in harassment or discrimination based on race, creed, gender, religion, nationality, language, physical characteristics, wealth, or place of birth. Specifically, the Group established a Code of Conduct to thoroughly ensure respect for human rights and respect for individuality. In the event of an incident of discrimination, the Group will take immediate steps to investigate the situation, acting to help the affected individual(s) and to prevent any recurrence.

Human Rights Education

The Code of Conduct, which enshrines our respect for human rights, is available in Japanese, English, Chinese, and German, distributed as a booklet and available through our corporate intranet for the reference of all Group employees. We require every NAGASE Group employee to comply with this Code of Conduct.

Labor Management Relations

The Group supports the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises and guarantees the basic labor rights of its employees. Our labor union has the three rights of labor (the right to organize, the right to collective bargaining, and the right to collective action). The Labor Union and Management hold "Labor Management Committee" meetings periodically to discuss and resolve issues regarding working conditions, work environment, etc. We are also working on building a good relationship between the labor union and management at overseas affiliate companies in accordance with each country's labor laws and regulations.

Vibrant Work Environments

Approach to Occupational Health and Safety

We believe occupational health and safety is a fundamental prerequisite for promoting business activities, since "to enrich the lives of our employees" is our Management Philosophy. By actively taking

initiatives to ensure occupational health and safety, we are continually improving and maintaining a safe and comfortable work environment.

■ Measures to Work Style Reforms

To increase the productivity of the Group as a whole, we believe it is important to ensure each employee makes the most of their work hours with priority on productivity and efficiency, and to achieve work-life balance. Based on this idea, we are promoting discussions and taking initiatives aiming at achieving work style reforms.

For example, the monthly meeting of the Employee-Management Health Committee includes discussions related to flexible work schedules, encouraging paid time off, and reducing overtime. The committee uses results of workplace surveys as a basis for employee-management talks regarding creating a more enjoyable workplace environment.

Our Benefit Programs for Work Style Reforms

| Program | Overview |
|--|--|
| Time Off for Spouse's Childbirth | Time off to be present at spouse's childbirth |
| Flextime (for R&D employees) | Employees can choose when to start and finish work, depending on individual business needs |
| Time Off for Refreshing and Recharging | Time off given to employees who have worked 15 full continuous years to refresh and recharge |

Community Involvement

The NAGASE Group Management Philosophy reminds us that we are a member of society and that, through our growth, we will contribute to society and enrich the lives of our employees. We engage in a variety of social contribution activities under this banner.

I Health and Productivity Management

The Group aims to realize a sustainable world where people live with peace of mind. We believe that the most important measure for achieving this is ensuring the physical and mental wellness of our employees, which constitute Group assets, as well as their families. To this end, we formulated and unveiled the NAGASE Health

Declaration in 2018 in support of improving the health of the Group employees. We are currently promoting initiatives in line with the declaration.

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Supporting and Training Technologists

Nagase Science and Technology Foundation

To help advance science and technology in Japan, we established the Nagase Science and Technology Foundation in 1989 and made it a public interest foundation in 2011. The foundation strives to advance science and technology by supporting research and development in the fields of

organic chemistry and biochemistry with the aim of contributing to socioeconomic progress.



Supporting the 2021 International Chemistry Olympiad in Japan

We are supporting the 53rd International Chemistry Olympiad to be held in Japan in 2021 with the aim of developing future global leaders of the chemistry and materials industries. Around 300 high school students from about 70 countries and areas will take part. We are helping sponsor the games with the main purpose of creating a brighter future through chemistry.

Nurturing Local Culture

Hayashibara Museum of Art

NAGASE Group company Hayashibara Co., Ltd. provides operational support for the Hayashibara Museum of Art. The museum houses a collection of Japanese and other East Asian paintings, crafts, and other items. The museum also exhibits furnishings inherited from the estate of the feudal Ikeda clan of the Okayama Domain. The goal of the museum is to contribute to research of cultural assets and improve the culture of the region and of Japan. It does this by pre-

serving works of art, conducting research on them, and allowing the general public to enjoy them through unique exhibitions and other events.



Participation in the Living Architecture Museum Festival

NAGASE & CO., LTD.'s Osaka head office is a registered cityscape resource of Osaka City. Every year, NAGASE participates in the Living Architecture Museum Festival in Osaka, helping the City's promotion attract people.



Contribution to Society

TABLE FOR TWO

NAGASE participates in the TABLE FOR TWO charity program, which simultaneously strives to solve the problems of hunger in developing nations and of obesity and lifestyle diseases in developed nations.

SCRUM JAPAN PROGRAM

NAGASE & CO., LTD. supports the SCRUM JAPAN PROGRAM, a program operated by the Japan Rugby Football Union to foster human resources through the sport of rugby.

Supporting Para-Athletes

We support the activities of the non-profit Japan Blind Marathon Association. In addition, NAGASE employs athlete Shinya Wada, a bronze medalist at the 2012 London Paralympics in track and field (5000m).



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