

Our Board

Our Board (As of June 22, 2020)

Note: Number of shares held based on available information on April 30, 2020



Note: Number of shares held based on available information on April 30, 2020

Directors

Representative Director and Chairman

Hiroshi Nagase

Number of Shares Held: 1,354,361

Director and Vice Chairman

Reiji Nagase

Number of Shares Held: 91,731

Representative Director, President and CEO

Kenji Asakura

Number of Shares Held: 19,827

Representative Director and Managing Executive Officer

In Charge of Overall Sales

Ichiro Wakabayashi

Number of Shares Held: 11,493

Director and Executive Officer

In Charge of Overall Administration and Affiliated Companies

Masaya Ikemoto

Number of Shares Held: 7,419

Outside Director

Nobumasa Kemori

Number of Shares Held: 2,598

- 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.

Outside Director

Takahiko Ijichi

Number of Shares Held: 0

- 1976 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- 2004 Managing Officer of Toyota Motor Corporation
- 2008 Senior Managing Director of Toyota Motor Corporation
- 2011 Director and Senior Managing Officer of Toyota Motor Corporation
- 2013 President of Towa Real Estate Co., Ltd.
- 2015 Executive Vice President and Member of the Board of Directors of Toyota Motor Corporation
- 2016 Retired Advisor of Towa Real Estate Co., Ltd.
- 2017 Senior Adviser of Toyota Motor Corporation Representative Director and Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.
- 2018 Retired Senior Adviser of Toyota Motor Corporation
- 2019 Retired Representative Director and Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.
- 2020 Director, NAGASE & CO., LTD.

Outside Director

Ritsuko Nonomiya

Number of Shares Held: 0

- 1987 Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)
- 1997 Partner of KPMG Corporate Finance K.K.
- 2000 Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)
- 2005 M&A Advisor and Managing Director of UBS Warburg Japan
- 2008 Senior Vice President and Business Development Leader of GE Capital Asia Pacific Ltd.
- 2013 Senior Executive Officer and Business Development Leader of GE Capital Japan, GE Japan Inc. Managing Director, GCA Savian Corporation (currently GCA Corporation)
- 2015 Member of Executive Management Japan/Asia, GCA Savian Corporation
- 2017 Director, GCA Corporation
- 2020 Director, NAGASE & CO., LTD.

Audit & Supervisory Board Members

Outside Audit & Supervisory Board Member



Nobuyuki Shirafuji

Number of Shares Held: 1,211

- 1984 Joined The Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)
- 2003 Deputy General Manager of Global Corporate Investment Dept. (London) Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Limited
- 2006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London) of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe 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



Masanori Furukawa

Number of Shares Held: 7,079

Audit & Supervisory Board Member



Mitsuru Kanno

Number of Shares Held: 7,230

Outside Audit & Supervisory Board Member



Gan Matsui

Number of Shares Held: 754

- 1980 Prosecutor, Tokyo District Public Prosecutors Office
- 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 ChemeX Corporation

Masatoshi Kamada

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

Yasuhiro Mihara

Executive Officer
GM, Corporate Planning Department

Takahiro Okumura

Executive Officer
Energy Business Office
New Value Creation Office
CEO, Europe

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, Audit Office

Takayuki Masuda

Executive Officer
CEO, Americas
CEO, Nagase Holdings America
Corporation

Yasumitsu Orii

Executive Officer
GM, New Value Creation Office

Ryuichi Uchida

Executive Officer
GM, Global Marketing Office

Takeshi Takada

Executive Officer
GM, Electronics Department

Noriaki Arashima

Executive Officer
GM, Specialty Chemicals Department

Noriyoshi Yamaoka

Executive Officer
GM, Human Resources & General Affairs
Division

Yoshihisa Shimizu

Executive Officer
GM, Finance & Accounting Division

Interview with the Outside Directors

In June 2020, Mr. Takahiko Ijichi and Ms. Ritsuko Nonomiya were newly appointed as outside directors, bringing the total number of outside directors to three, including Mr. Nobumasa Kemori. The three directors gathered to talk about the attractive aspects of the NAGASE Group and its value propositions.



Outside Director **Nobumasa Kemori**

Outside Director **Takahiko Ijichi**

Outside Director **Ritsuko Nonomiya**



Nobumasa Kemori

“In the interest of diversity, NAGASE’s outside directors are now having gender diversity, advancing its corporate governance structure further.”

What is your impression of how the Board of Directors operates at NAGASE?

Kemori In the four years I have served as outside director, I have developed two major impressions of the Board of Directors. The first is the free-spirited discussions at meetings. At a majority of Board of Directors meetings, inside board members must listen carefully to the opinions of outside board members without interjecting with their own opinions. In this context, I like how Board of Directors meetings at NAGASE have become venues for open discussion in both directions, with some members also voicing counterarguments to the opinions of outside board members on occasion. The second impression is the steady pace of change, even though it is not that quick. Four years ago, the ratio of outside directors was 20%. In 2019, the ratio was roughly 30%, with five inside directors and two outside directors. In 2020, the number of outside directors increased to three people, gradually increasing the ratio to nearly 40%. In the interest of diversity, NAGASE’s outside directors are now having gender diversity, advancing its corporate

governance structure further.

In my interactions with management to date, I have taken a basic stance of posing questions from perspectives that differ from the inside directors. Until 2019, there were two outside directors, and we had opportunities to comment on issues outside our field of expertise. Now that the number of outside directors has increased to three, I can let the other two outside directors focus on their fields of expertise, and I am able to happily focus on my own field. I think that Board of Directors meetings can be improved by cutting down on time spent making comments for the sake of just saying something, and spending more time on discussions about long-term topics, such as investment policies and financial aims.

As an outside director of NAGASE, what roles do you fulfill?

Ijichi For many years, my work at Toyota Motor Corporation was related to financial control and personnel labor management, so I believe the Board of Directors at NAGASE expects me to bring this field of expertise to the table. In accounting work, it is important to perceive the

risks and opportunities behind the numbers. For example, if the management and workers on a project are rushing in blindly, I tend to be restrained in what I say, but if they are reluctant, it’s sometimes crucial for me to drive things forward. I am grateful for this opportunity to serve as an outside director, and will do my utmost in this role while leveraging my past experience.

When I was working at Toyota Motor Corporation, I learned that trust among people is the most important thing for a company. Mutual understanding is the root of this trust. As an outside director, I believe I must first gain a deep understanding of the corporate culture that is behind the decisions made by management. Only then will I begin to comment about issues that draw my attention from an outsider’s perspective. **Nonomiya** I went to high school, college and graduate school in the U.S., and my first job was also in the U.S. Using this extensive experience overseas, I have worked in an advisory role for M&A deals. As the number of acquisitions of foreign firms by Japanese companies increases, I have specialized in cross-border deals over the



Takahiko Ijichi

past few years, and will strongly support NAGASE in this area.

I have mainly provided M&A advice to companies from a third-party standpoint, and will continue to voice my opinions from an objective standpoint at the Board of Directors meetings. I aim to contribute to the development of NAGASE in any way I can.

What makes the NAGASE Group attractive?

Nonomiya One attractive aspect of NAGASE is its corporate culture. Employees of different ages and positions share the same philosophy. While being a company proud of its old traditions, NAGASE has an open atmosphere where employees can have conversations with a sprinkling of humor, giving me the impression of a sense of unity and dignity in the workforce. Employees may not realize this, but looking in from the outside, I see a rock-solid corporate culture at NAGASE that I have grown fond of.

In terms of the unique value that only NAGASE can provide, I believe it is derived from

“I expect NAGASE to develop challengeable businesses, and increase corporate value while helping to find solutions for social issues.”



Ritsuko Nonomiya

“I believe NAGASE’s business model has significant potential for having manufacturing operations along with specialized trading company functions.”

its business model as a Japanese-style trading company, and a specialized trading company at that, while also having manufacturing operations. NAGASE’s business model in itself is high added value. I believe there is great potential waiting to be tapped in this business model.

Ijichi NAGASE has been able to continue growing for about 200 years, which in itself is a major accomplishment, but to have done that, there must have been some sort of value. I believe this value is its pervasive management philosophy that “we recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity.” This shared value system has been passed down through the generations, from employee to employee. I am also impressed with the caliber and talents of management. In a world being affected by the COVID-19 pandemic, I expect NAGASE to continue work on groundbreaking chemical reactions as a leading Business Designer. I expect NAGASE to develop challengeable business, and increase corporate value while helping to find solutions for social issues.

Kemori I am drawn most to the part of the management philosophy that aims to improve the

well-being of employees. NAGASE takes care of its employees, and that is why they trust the Company. This translates into more capable human resources. NAGASE has a global network as a trading company, while also maintaining the mindset of a manufacturing company. The combination of these elements is what makes NAGASE so appealing, in my opinion.

The mid-term management plan ACE-2020 initially set bold targets while drawing out the Company’s long-term growth strategy for 2032, the 200th year since its founding. I believe it has become harder to achieve these targets and growth strategies with the way the world economy is today. One of my convictions in business is that targets are meaningless unless they are achieved, and I think NAGASE should reassess its strategies based on a cold, hard look at its own performance. On the other hand, management made a decision to spend a fairly large amount, given its business scale, on the acquisition of a majority stake in Prinova Group, LLC. I thought it is wonderful that NAGASE is a company able to make such important business decisions.

Corporate Governance

Basic Approach

The NAGASE Management Philosophy recognizes its responsibility to society and offers beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees. Based on this philosophy, NAGASE strives to increase corporate value over the medium to long term in line with the NAGASE Vision, its promise to stakeholders.

We believe that rapid decision-making and execution, management soundness and prevention of corruption, and ensuring transparency are essential for us to accomplish these initiatives and strengthen corporate governance.

Note: Our latest Corporate Governance Report is available on our website.
<https://www.nagase.co.jp/english/assetfiles/tekijikajij/20200709.pdf>

Governance Summary

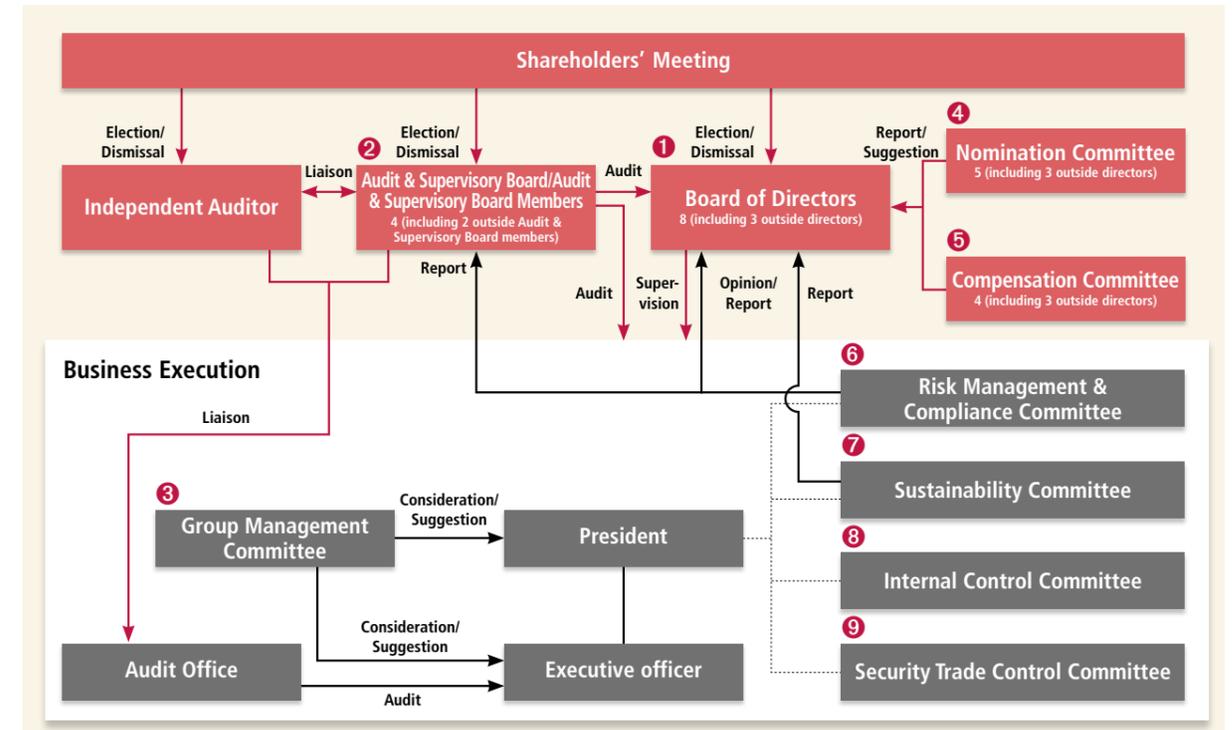
Institutional Format Company with Board of Directors Audit and Supervisory Board members	The current format is the most rational for the Company, with audit and oversight functions from multiple perspectives, including external views, working effectively.	Number of Directors 8	The number of directors has been reduced from 20 in 2000 to 8 positions in 2020, enabling faster decision-making.
Separation of Management and Business Execution Executive officer system	An executive officer system was introduced in 2001 to accelerate decision-making and enhance business execution.	Outside Directors 3	The first outside director was appointed in 2004. Now, there are three outside directors, including one woman, for a ratio of over 33% of the total number.
Outside Audit & Supervisory Board Members 2	Outside Audit & Supervisory Board members have been appointed since 1994. There are currently two appointed. Two of the four auditors are outside Audit & Supervisory Board members.	Director Compensation Compensation Committee	Established in 2010, of the four members of this committee, three are outside directors. The committee debates the fairness of compensation levels and systems.
Board Member Appointment Nomination Committee	Established in 2018, outside directors and Audit & Supervisory Board members form a majority on this committee, which debates proposals for nominating directors and executive officers and succession plans.	Compliance/Risk Management Risk Management & Compliance Committee	The Compliance Committee was launched in 2001 and converted to the Risk Management & Compliance Committee in 2008.
Internal Control Internal Control Committee	The Internal Controls Promotion Committee was renamed the Internal Control Committee in 2009.	Sustainability Sustainability Committee	Created in 2020, this committee is chaired by the President and comprised of executive officers and senior management from Group companies.

Compliance with the Corporate Governance Code (As of July 1, 2020)

NAGASE has aggressively reinforced Group governance in the spirit of the Corporate Governance Code. In June 2020, the Company appointed a female director, and now more than one-third of members on the Board of Directors are independent outside directors, ensuring diversity and an appropriate size for the Board of Directors. With these changes, NAGASE now

complies with Principle 4.11 "Preconditions for Board and Kansayaku Board Effectiveness" in the Corporate Governance Code. We will continue to strengthen the governance structure and monitor its operation, with the aim of providing sustained value to all stakeholders.

Corporate Governance System



- 1 Board of Directors**
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.
- 2 Audit & Supervisory Board/Audit & Supervisory Board Members**
In accordance with audit policy and audit plans set at Audit & Supervisory Board meetings, Audit & Supervisory Board members conduct audits of the execution of duties of directors by attending important meetings, such as Board of Directors meetings, and receiving reports solicited from subsidiaries on an as-needed basis.
- 3 Group Management Committee**
The Group Management Committee comprises executive officers appointed by the Board of Directors, and in principle, meets regularly twice a month to discuss management strategies, investment projects, and other important matters, and to support management decision-making. This committee serves as an advisory body that discusses matters resolved by the Board of Directors.
- 4 Nomination Committee**
The Nomination Committee, which consists of 5 individuals (a majority of outside directors), deliberates on appointment proposals for directors and executive officers and succession plans for the Chief Executive Officer. It 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**
The Compensation Committee, which consists of 4 individuals (a majority of outside directors), 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 report and make recommendations to the Board of Directors.
- 6 Risk Management & Compliance Committee**
The Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance but also corporate ethics.
- 7 Sustainability Committee**
The Sustainability Committee is chaired by the President and comprises executive officers and senior management of Group companies. This committee formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures and policies, and conducts educational activities within the Group.
- 8 Internal Control Committee**
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.
- 9 Security Trade Control Committee**
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, President and CEO)
 Members Nobumasa Kemori (Outside Director)
 Takahiko Ijichi (Outside Director)
 Ritsuko Nonomiya (Outside Director)

Nomination Committee Members

Chair Kenji Asakura (Representative Director, President and CEO)
 Members Hiroshi Nagase (Representative Director and Chairman)
 Nobumasa Kemori (Outside Director)
 Takahiko Ijichi (Outside Director)
 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.

Total Compensation by Type of Board Member, Total by Type of Compensation, and Number of Eligible Board Members (Fiscal 2019)

Title	Total Compensation (Millions of yen)	Total Compensation by Type (Millions of yen)				Number of Eligible Directors
		Basic Compensation	Stock Options	Bonus	Retirement Benefits	
Directors (excluding outside directors)	237	208	—	29	—	8
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	45	45	—	—	—	3
Outside Directors and Audit & Supervisory Board Members	53	53	—	—	—	4

Important Matters Regarding Employee Bonuses for Employees Also Serving as Directors

Compensation by Type

Total Compensation (Millions of yen)	Number of Eligible Directors	Comments	Compensation Type	Compensation Content	Fixed/Variable	Payment Method
13	2	Paid in an amount equivalent to employee bonus.	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)	

● Outside Directors

NAGASE has three outside directors, Mr. Nobumasa Kemori, Mr. Takahiko Ijichi and Ms. Ritsuko Nonomiya. All three are independent outside directors based on the definition set forth by the Financial Instruments Exchange.

Reason for Appointment of Outside Directors, Concurrent Titles/Responsibilities, and Number of Shares Held in the Company

Name	Reason for Appointment	Concurrent Titles/Responsibilities
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.	Executive Adviser, Sumitomo Metal Mining Co., Ltd. Outside Director, JFE Holdings, Inc. Outside Director, Sumitomo Realty & Development Co., Ltd.
Takahiko Ijichi	Takahiko Ijichi has been involved in the management of Toyota Motor Corporation 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, including manufacturing activities performed by the Company in both Japan and overseas, and is expected to enhance the Company's corporate governance.	Outside Director, COMANY INC.
Ritsuko Nonomiya	Ritsuko Nonomiya has accumulated business experience, including accounting, in the KPMG Group and has engaged in M&A and business development in the UBS Group and the GE Group. Thus, she has advanced knowledge mainly in the fields of finance and accounting and also possesses sufficient knowledge and experience regarding corporate management. She will use this knowledge and experience to make proposals concerning the Company's overall management and is expected to enhance the Company's corporate governance.	Director, GCA Corporation Director, GCA Advisors, LLC External Audit & Supervisory Board Member, Shiseido Company, Limited

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

● Board of Directors Effectiveness Evaluation

The Company analyzes and evaluates the effectiveness of the Board of Directors, believing in the importance of improving board effectiveness on an ongoing basis. Accordingly, the Company conducts surveys of all directors and Audit & Supervisory Board members. Based on these results, the Company has confirmed that its Board of Directors functions effectively, conducting appropriate and timely deliberations and decision-making.

Additionally, in response to the issue of needing to augment deliberations of management strategies and important matters, an issue identified in last year's evaluation of the Board of Directors, we carried out a review of matters determined by the Board of Directors (delegation of

authority), and made improvements so that adequate time is set aside for the deliberation of important matters.

At the same time, we confirmed there is a need to improve discussions regarding medium- to long-term management plans and company-wide strategies, from the standpoint of further improving effectiveness. Continuing to take a medium- to long-term perspective, we also acknowledged there is a need to examine ways to achieve a composition on the Board of Directors that is diverse and an appropriate size. The Company intends to continue initiatives for improving Board of Director effectiveness.

● Outside Audit & Supervisory Board Members

NAGASE has two outside Audit & Supervisory Board members, Mr. Nobuyuki Shirafuji and Mr. Gan Matsui. Both are independent members based on the definition set forth by the Financial Instruments Exchange.

Reason for Appointment of Outside Directors, Concurrent Titles/Responsibilities, and Number of Shares Held in the Company

Name	Reason for Appointment	Concurrent Titles/Responsibilities
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 credit 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.	N/A
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.	Attorney, Yaeu Sogo Law Office Outside Audit & Supervisory Board Member, Orient Corporation Outside Audit & Supervisory Board Member, Totetsu Kogyo Co., Ltd. Outside Director and Audit and Supervisory Committee Member, GLOBERIDE, Inc. Outside Director, Dentsu Group Inc.

Note: Policies and standards for independence regarding outside Audit & Supervisory Board members are disclosed in NAGASE's securities reports.

● 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). The Audit & Supervisory Board meets once a month in principle and as necessary to discuss matters. In fiscal 2019, it held 16 meetings. 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 when forming audit opinions. Full-time members conduct auditing activities in line with the Audit & Supervisory Board's audit policies and plans. They attend Board of Directors meetings 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 and construction 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. The part-time member attends meetings of the Board of Directors and the Audit & Supervisory Board, discusses matters with the representative directors, outside directors and independent auditors, and communicates seamlessly and promptly with the full-time members to

provide opinions and advice from an objective viewpoint based on specialized knowledge. In addition, after the end of a fiscal year, the Audit & Supervisory Board conducts an annual auditing activity review of 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 11 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 the 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 the Independent Auditor |

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

Certified Public Accountants	Auditing Firm	
Specified limited liability partners	Yoshifumi Mitsuki	Ernst & Young
Managing partners	Yasuhiro Takada	ShinNihon LLC

Note: Neither 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, the NAGASE Group engages in ongoing communications with society and its 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 2019

Activity	No. of Events	Details
Results briefings for institutional investors and analysts	Two times	Briefings on results, forecasts and other topics (fiscal year-end and interim)
Individual meetings with domestic and overseas institutional investors	About 100 times	Individually held for institutional investors
Briefings for individual investors	Five times	Held for each branch office of securities firms
Overseas roadshows	One time	Overseas institutional investors are given direct access to the President and directors

Compliance

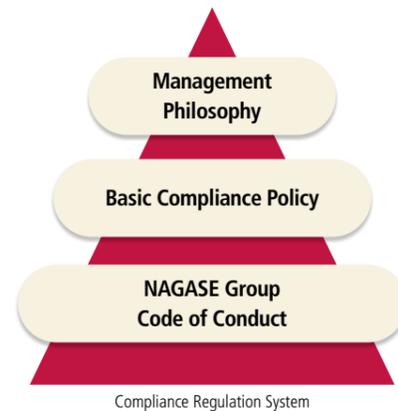
Basic Approach

The NAGASE Management Philosophy recognizes our responsibility to society and offers beneficial products and services while maintaining the highest standards of integrity. We hold dear the observation of laws and regulations, and steadfastly adhere to strict internal rules while following socially accepted norms and ethics. Restrictions from laws and regulations have become more borderless, complex, and stringent. Our thorough approach to compliance is in tune with the constantly changing times. Respecting compliance in every action that we take as a company, and being an organization that can detect issues early and take corrective action, implementing measures for improvement and rectifying these issues swiftly and decisively will allow us to gain credibility and trust with our stakeholders. We endeavor to continue to strengthen our credibility and trust in our day-to-day business activities.

Compliance Regulation System and Operation

In charge of overseeing risk management and 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., LTD. 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.



Basic Compliance Policy Overview

1. Comply with applicable laws and regulations; conform to internal rules
2. Eliminate anti-social elements
3. Provide useful products and services
4. Respect employee personality and individuality
5. Disclose information
6. Protect the global environment
7. Responsibilities to top management

Note: The Basic Compliance Policy is also available on our website. <https://www.nagase.co.jp/english/sustainability/governance/compliance/>

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 regulations and rules.

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 U.K. Bribery Act.

Education Activities (Fiscal 2019)

	Targets	Content
June 2019	Nagase Medicals Co., Ltd. Nagase Logistics Co., Ltd.	General compliance and harassment training Compliance training
July–September 2019	NAGASE & CO., LTD.	Harassment training
September 2019	Nagase (Taiwan) Co., Ltd.	Compliance training
October 2019	Six companies in Greater China Nagase Beauty Care Co., Ltd.	Compliance training Compliance training
November 2019	Nagase Filter Co., Ltd.	Compliance and harassment training
December 2019	Nagase Beauty Care Co., Ltd.	Compliance and harassment training
January 2020	Nagase Plastics Co., Ltd.	Compliance and harassment training
February 2020	Hayashibara Co., Ltd.	Compliance training
March 2020	Nagase ChemteX Corporation	Compliance training

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

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 joining 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 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 stricter 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.

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 military-related 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 Control Associates (Cumulative)

Fiscal year ended March 31, 2018	890
Fiscal year ended March 31, 2019	947
Fiscal year ended March 31, 2020	982

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	China REACH	Regulations on the Safe Management of Hazardous Chemicals
South Korea	K-REACH	Occupational Safety and Health Act
Taiwan	Toxic and Concerned Chemical Substance Control Act	Occupational Safety and Health Act
ASEAN	Under development in each country	Under development in each country

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

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.

Internal Controls

Under the NAGASE Management Philosophy to maintain the highest standards of integrity, 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. The Internal Control Committee, the main entity for

advancing internal controls, is a committee voluntarily set up for the purpose of strengthening corporate governance. The committee discusses the basic policy of the internal control system, monitors the construction and operation of frameworks defined under the internal control system and ensures the propriety of operations.

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

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.

Product Safety and Quality Control

The NAGASE Group considers product safety and quality control a major social responsibility 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 Transaction

Risk Management Section of Risk Management Division provides management of vendors and manufacturing contractors, and the Group Manufacturing Company Liaison Committee, within the Corporate Planning Department, provides support to Group manufacturing companies and internal education.

Note: The Product Safety Principles are available on our website. <https://www.nagase.co.jp/english/sustainability/governance/compliance>

Initiatives by Food-Related Businesses in NAGASE Group Companies

Nagase ChemteX Corporation

Nagase ChemteX's Fukuchiyama Plant, which manufactures food additives and health food ingredients, 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 acquired in fiscal 2019.



Nagase ChemteX's Fukuchiyama Plant

Hayashibara Co., Ltd.

In addition to company-wide ISO 9001 certification, Hayashibara has acquired FSSC 22000 certification for its mainstay product TREHA™. In addition, Hayashibara follows applicable GMPs for its active pharmaceutical ingredients, and pharmaceutical excipients in the management of everything from the acceptance of raw materials and manufacturing to quality assurance and product delivery.



Hayashibara's Okayama Functional Saccharide Plant

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 have an impact on 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. As for BCPs, each department has formulated a recovery plan to assure delivery to major business partners.

Initiatives to Prevent Risk of COVID-19 Infections

In light of the risks stemming from the recent COVID-19 pandemic, the NAGASE Group created the COVID-19 Countermeasure Headquarters, headed by the President, to swiftly enact effective measures to counter the risk of further spread. The following initiatives are being taken to continue operations.

(1) Maintain the health of Group employees

Starting in February 2020, NAGASE has encouraged staff stationed overseas and their families to stay safe, prohibiting commutes to workplaces in Japan and overseas. The Company closed down its offices in Japan when the national and local governments issued shelter-in-place policies, and made teleworking the norm for its employees. After the state of emergency was lifted, the Company has encouraged its employees to work on staggered schedules or from home, to wear masks, use hand sanitizer and avoid the "3Cs"

of closed spaces, crowded places and close-contact settings as much as possible. Through such preventive measures, we continue to ensure the health and safety of our employees.

(2) Communicate with business partners

The Company prohibited overseas business travel, restricted domestic business trips, and moved meetings and negotiations online with web conferencing software, while canceling or postponing events, and reassessing the format of gatherings.

(3) Initiatives to minimize impact on business operations

The Company is striving for business continuity by setting up satellite offices, shifting work around with various systems, creating environments that enable teleworking and continuing operations at Group manufacturing companies while putting safety first.

Response to Environment-Related Risks

Response to Climate Change Risk |

Climate change has come to impose a profound impact on the environment, society, the lives of the general public, and the activities of companies. Expectations are rising on the roles the private sector must play. And the NAGASE Group recognizes the need to take measures against climate change to continue business operations. Going forward, we believe that we must explore the methods for setting and managing climate change scenarios.

Response to Water Risk |

The Sustainable Development Goals (SDGs) established and promoted by the United Nations include securing a stable supply of water and richer lifestyle, including access to water, for all people. In light of this SDG, the NAGASE Group makes concerted efforts to more efficiently use water, reduce water usage, use appropriate amounts of water, thoroughly reuse water, and recycle water in its business activities.

Responsible Supply Chains

Basic Approach

The NAGASE Group provides diverse products and services around the world in line with its vision of realizing a sustainable world where people live with peace of mind. Securing a sustainable supply chain is a priority issue for the NAGASE Group. We strive to make the Group's supply chain one that is responsible and considerate of issues such as human rights, the labor environment (exclusion of child labor, forced labor, and discrimination, as well as avoidance of conflict between labor and management), health and safety, and the global environment (effective use of energy resources, climate change, and biodiversity). Furthermore, the NAGASE Group strives to manage risks that could impede the construction and maintenance of a responsible supply chain. In accordance with the Group's Code of Conduct, employees are tasked with developing and providing products and services that provide utility to our society in consideration of human rights and of the safety of said products and services. Important risks discovered in the supply chain are shared within the Risk Management & Compliance Committee, where countermeasures are discussed.

Respect for Human Rights in Procurement Activities

The NAGASE Group will act in accordance with our basic policy for responsible supply chains and in consideration of our Code of Conduct so as to prevent infringement of human rights, including inhumane or discriminatory treatment, forced labor, and child labor.

We will continue to work with our business partners to further promote globally a vibrant culture respecting human rights in all activities across our supply chain.

Creating Environmental Value

Basic Approach

At the NAGASE Group, we believe that a sustainable global environment is a prerequisite for a sustainable world where people live with peace of mind. Currently, changes in the global environment are pressuring companies and individuals to make big decisions. Amidst such changes, the NAGASE Group helps realize a sustainable society by actively working to solve environmental problems, by for instance promoting a low-carbon society, realizing a recycling society, preventing pollution, preserving biodiversity, and efficiently using water.

Environmental Policy

1. 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.

3. 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.

4. Establishment of environmental management systems and continuous improvement

The NAGASE Group has set environmental targets to achieve our environmental policies. Furthermore, 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/>

Environmental Management Structure and Activities

| Structure |

The Risk Management & Compliance Committee (Environmental Management General Secretariat) provides advice and support for acquiring 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, which will continue activities to improve environmental management systems going forward. We publish information on Group companies that have obtained ISO 14001 certification on our website.

Note: Information about ISO 14001-certified companies is available on our website. <https://www.nagase.co.jp/english/sustainability/environment/management-system/>

| Activities |

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 our environmental and energy technologies to develop and grow related 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 logistical efficiency. In addition to calculating the

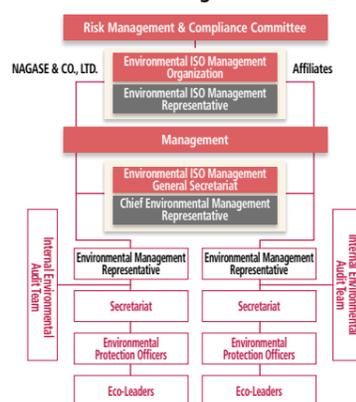
Company's annual cargo transport volume and CO₂ emissions, the system analyzes optimal transport routes to reduce CO₂, aiding our efforts to reduce energy used in transportation.

We are also taking action in our company headquarters building to conserve energy and resources. In line with the Revised Act on the

Rational Use of Energy, NAGASE & CO., LTD. has been designated as a specified corporation to report data and plans by the Ministry of Economy, Trade and Industry. 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 Ministry 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 peak usage times particularly in the summer to keep environmental settings within target levels.

Environmental Management Activities



Environmental Performance Data

Paper Usage

(Tokyo Head Office, Osaka Head Office, Nagoya Branch Office)

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Paper Usage (1,000 sheets)	4,603	4,585	4,382
Paper Usage (t)	19.7	19.6	18.7

Waste and Recycling

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Waste (t)	194	193	172
Recycling (t)	156	158	139
Recycling (Ratio)	80.6%	81.8%	81.0%

Participating Companies: NAGASE & CO., LTD. Period: April 2017 to March 2020

Note: With regard to addressing climate change, mitigating water-related risks, and protecting biodiversity, please see our website. https://www.nagase.co.jp/english/sustainability/environment/performance_data/

Electricity Usage

(Tokyo Head Office, Osaka Head Office, Nagoya Branch Office, Nagase Parking, Nagase R&D Center, Nagase Application Workshop, NHRD)

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Electricity Usage (kWh)	6,068,534	5,825,310	5,774,358

CO₂ Output (Adjusted Emissions Factor)

	Fiscal 2017	Fiscal 2018	Fiscal 2019
CO ₂ Output (t-CO ₂)	2,940	2,733	2,386

CO₂ Output from Logistics Activities

	Fiscal 2017	Fiscal 2018	Fiscal 2019
CO ₂ Output (t-CO ₂)	2,044	2,268	2,201

Engaging with External Initiatives

We will analyze our own risks and opportunities and tie those to creating new value through external evaluation agencies such as CDP, EcoVadis, Sedex, and RSPO.



Feature:

Working to Solve Environmental Problems

In “creating environmental value,” what is the NAGASE Group uniquely positioned to do?

Interview with the Environmental Solutions Team

Amid heightened awareness about environmental issues, the NAGASE Group established the Environmental Solutions Team in March 2020 to deliver value on the environmental front to our business partners. Three of the team's members spoke about its initiatives.



(From left in photo)
Kiyomi Yoshida
Ryo Inoue
Shuji Kumazaki
Specialty Chemicals Department
NAGASE & CO., LTD.

Q1 Please explain the team's role.

Yoshida: Environmental, social and governance (ESG) investment is accelerating as environmental regulations become stricter in various countries. Addressing environmental issues going forward will definitely play a major role in companies' survival. That led us to spotlight our customers' manufacturing sites where numerous issues pertaining to the environment exist, and establish the team to promote business that contributes to enhancing enterprise value.

The team's objective is to take the process from getting close to our business partners' manufacturing sites to discovering issues pertaining to things like wastewater and exhaust gas, solving them, and delivering value and make it into a business.

Q2 What is happening now at business partners' manufacturing sites?

Kumazaki: Regarding wastewater and exhaust gas treatment, procedures are often based on the experience of the person in charge of the site. There are cases where treatment methods are not efficient and technical skills have not been effectively passed on, which brings

about problems with results and costs. Also, there are customers who look to raise environmental value by applying their own regulations that are stricter than chemical laws and regulations. Since issues that can be resolved simply through the sale of chemicals are also limited, we are now being called upon to provide an array of environmental solutions to our customers.

Inoue: Of course, our determination alone isn't enough to resonate with customers. That requires returns on investments with a view to balancing both economic value and environmental value.

Yoshida: Sustainable relationships with business partners will also tie to the NAGASE Group's growth. Going forward, I think we should also address our business partners' management issues head on, standing by to assist them after thoroughly conveying our thoughts on the issues.

Q3 How will you approach environmental issues moving ahead?

Inoue: The NAGASE Group's strength is its total capabilities. We have customers in a wide range of industries and various areas in Japan and overseas. We will leverage this diverse, global network to address environmental issues.

Kumazaki: I think the addition of Aience Limited, which is engaged in the wastewater and exhaust gas treatment business, to the Group in January 2020 will enable us to increase solution options in the future.

Yoshida: Under the NAGASE Vision to help realize a sustainable world where people live with peace of mind, we will collaborate within the Group and cooperate with partner companies as necessary to solve our customers' issues.

Innovation

| Human Resource Development |

Basic Approach

The NAGASE Group will solve various social issues through innovation and help realize a sustainable society. Diversity is vital for developing human resources that create innovation and nimbly responding to changes in the environment. It is an important part of our overall corporate strategy. In addition, R&D and cross-departmental organizations such as the Nagase R&D Center, New Value Creation Office, and Nagase Application Workshop will advance activities that lead to solutions for social issues and innovation.

● Training and Supporting Our Human Resources

The NAGASE Group believes that human resource development strengthens the business foundations supporting the Group's growth. We hold Group-wide training by job title and sponsor ongoing training for local staff overseas, 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 obtain knowledge and skills for their continued growth. These programs include rank-specific training for young and mid-rank 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
- Provide training sponsored by head office to overseas national staff members

2. Train managers

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

3. Instill shared values

- Provide shared value workshops in rank-specific training
- Offer shared value workshops for managers
- Conduct surveys regarding shared value

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

Human Resource Development and Training System

Program	Overview
Overseas Training	Training at overseas Group companies and other entities
Open Recruitment	Internal recruitment for employees to move to open positions within their department
Free Agent (FA)	Internal application system for employees to petition to transfer to their preferred department
Certification Bonus	Provides bonus payment for acquisition of Company-recognized public certifications

Number of Participants in Main Training Programs

	Fiscal 2017	Fiscal 2018	Fiscal 2019
Rank-Specific Training (Overseas Training)	547 (15)	711 (14)	695 (13)
Selective Training	7	6	27
Business Leadership Program for Overseas National Staff	33	29	38

● 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

- ④ Support employees' career development

- ⑤ 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
- ⑦ 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 low, so we will continue to improve the situation by increasing the number of female employees in periodic recruitment.



NAGASE is recognized by the Ministry of Health, Labour and Welfare as a company that supports employees raising children.

● 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 National Staff 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 national staff to core positions in accordance with the needs of each country, region, and company.

| R&D Activities |

To harness the Group's total capabilities and create new businesses, the NAGASE Group conducts R&D activities with the aim of developing new technologies and new products and conveying technological information based on marketing activities.

Established in 2017, the New Value Creation (NVC) Office's objective is to propel the Group's innovation and create new value looking to changing trends such as AI and IoT, thereby forming a core for businesses that are entirely new to the Group.

In addition, the Nagase R&D Center promotes development of fundamental technology and topic planning in the Group's bio-related business.

▶ For more about the NVC Office, see P34–35. ▶ For more about the Nagase R&D Center and Nagase Application Workshop, see P5.

Moreover, the Nagase Application Workshop (NAW) utilizes specialized technical staff and equipment to handle operations spanning from evaluating, analyzing, and developing applications for raw materials in the plastics and coating materials fields to developing formulas for final products using those raw materials. It also combines our business partners' and Group manufacturing companies' materials and processing techniques and proposes solutions matching market needs as ascertained by marketing functions leveraging Group networks.

Creating Social Value

| 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, religion, gender, age, sexual orientation, disability or nationality. 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.

● Respect for Employee Personality and Individuality/Human Rights Education

Our Code of Conduct stipulates the points to the right regarding respect for employee personality and individuality. It is available in Japanese, English, and Chinese through our corporate intranet, and all Group employees in Japan and overseas are required to comply with it.



● 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 environments, 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.

● Measures to Prevent Harassment

The NAGASE Group Code of Conduct, a behavioral guideline for all Group employees and officers, prohibits harassment, and we shall take resolute steps, including disciplinary action, against any person who is found to have conducted harassing behavior.

Furthermore, the NAGASE Group is continually engaged in initiatives in this area, including obligatory harassment prevention training for

management. The Group shall address issues of harassment in the workplace. We shall not explicitly or implicitly allow any such behavior. We will promptly investigate reports of discrimination, offering aid to victims, and taking steps (including disciplinary measures) to prevent discrimination in the future.

| Vibrant Work Environments |

● Approach to Occupational Health and Safety

Respect for the individual is a key tenant in all of the NAGASE Group's business activities. We regard occupational health and safety as a key prerequisite for advancing business activities and by working proactively

on that front, we are making ongoing improvements and creating a safe, upbeat, and comfortable work environment.

Basic Occupational Health and Safety Policy

1. The NAGASE Group and each of its employees work together to ensure a safety-first work environment without any accidents or incidents.
2. We shall strive to eliminate the seeds of injury and illness from the workplace in building an environment where employees may work assured of their health and safety. We focus particularly on prevention against global health phenomena such as HIV/AIDS, tuberculosis, and malaria.
3. We shall comply with all laws and regulations related to occupational health and safety, as well as any concurring requirements.
4. This policy shall form the target for activity development and execution, with regular reviews to continuously improve the methods and results of our activities.
5. We shall invest management resources appropriately based on resolutions of the Board of Directors in order to effectively leverage occupational health and safety management systems.

● Health and Productivity Management

The Group believes that the most important measure for achieving health and productivity management 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 Group employees. We are currently promoting initiatives in line with the declaration.



Policies and Specific Initiatives

- **Supporting Physical Health**
 - Health examinations (regular physical exams, lifestyle disease exams, periodic checkups, medical exams for overseas assignees, including employees returning temporarily or permanently)
 - Specific health checkup and specific health guidance
 - Cancer examinations
 - Mail-in cancer examinations
 - Dental checkups
 - Influenza vaccinations
 - Medical treatment and work-balance support
 - Support for women's health
 - Distribution/access to household medicines
 - Family health counseling
 - Access to Best Doctors service
- **Supporting Mental Health**
 - Mental health counseling
 - Mental health training
 - Support for return to work after an absence
 - Stress checks
- **Health Promotion**
 - NAGASE club activities
 - In-house massage rooms
 - Walking events
 - No Smoking Day
 - Smoking cessation support
 - Encourage the use of recreational facilities
 - Measures to reduce excessive work hours
 - No Overtime Day (weekly)
 - Publish overtime hours by department

● Measures toward 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 aimed 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 and Initiatives for Creating a Comfortable Workplace

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

Social Contribution Activities

Basic Approach

The NAGASE 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 will contribute to a better society through the combination of business activities and social contribution activities under this banner.

● 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. The foundation has provided assistance to over 530 research projects with total grants exceeding ¥1,310 million to date including fiscal 2020.



● 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 Japan. It does this by preserving works of art, conducting research on them, and allowing the general public to enjoy them through unique exhibitions and other events.



● Supporting Para-Sports

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 (5,000 m).



● Supporting the 53rd 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 regions will take part. We are helping sponsor the games with the main purpose of creating a brighter future through chemistry.



● 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, thereby helping the city's promotion attract people. We are also participating in the movement to light up buildings in blue to express respect and gratitude to healthcare professionals battling the COVID-19 pandemic.



● Sponsor of the Grand Contest on Chemistry for High School Students

This contest is organized by Osaka City University, Nagoya City University, Yokohama City University, and the Yomiuri Shimbun. It encourages academic research activities being undertaken by high school and technical college students (third grade and under), cultivating scientific creativity as high school students have a great time conducting research on their own volition. We are a sponsor of this program that supports education with an eye to developing personnel that can actively participate in science fields in the future.



Feature: Sustainability of Our Manufacturing Business

Interview with the Group Manufacturers' Collaboration Committee

The Group Manufacturers' Collaboration Committee (hereinafter MCC) aims to bolster the foundation of all of the manufacturing companies in the NAGASE Group. The Secretariat Head Kenji Yamamoto from Nagase ChemteX, Secretariat members Koichi Nishi from Hayashibara Co., Ltd. and Kei Kitano from NAGASE & CO., LTD. spoke about its initiatives.

Q1 Please explain the MCC's role.

Yamamoto: The MCC was launched in July 2019 to encourage autonomous growth at each of the NAGASE Group's 12 domestic manufacturing companies while they share information among themselves concerning health and safety, quality, and the environment as well as to promote enhancement of enterprise value and sustainable growth for the Group overall. The committee's head and members visit all of the relevant companies, conduct surveys, and establish Group policies based on analysis of the results. Moving ahead, we will set targets and plans based on the policies and advance activities by establishing KPIs and monitoring. In addition, we are building platforms for sharing information among the 12 companies. For example, we have started working to enable posting and sharing of information regarding close calls at factories.

Kitano: We have already started up a subcommittee concerning reducing costs for utilities such as electricity and gas, and are working to obtain discounts through joint purchasing. We begin by discussing things with those in charge at each company and gaining an understanding of each company's operations including by visiting factories, and are getting an array of pointers on information sharing and collaboration.

Q2 Please explain the Group's policies on health and safety, quality, and the environment.

Nishi: In setting Group policies, we took the process of gathering and then consolidating information from the 12 companies. Each of the companies has its own respective philosophy and some have industry-specific policies. However, most of the companies have a philosophy that is similar in spirit with NAGASE's in regards to "maintaining the highest standards of integrity." In addition, their policies on health and safety, quality, and the

environment are nearly the same, so we didn't have a hard time making adjustments.

Kitano: Since all of the companies' ideas had common ground, we were able to integrate them seamlessly. While they are not new ideas, I feel that we did a good job in putting together policies that really nail down the basics.

Yamamoto: When we visited each company again to explain our proposed policies after formulating them, gaining their understanding also went smoothly. I think establishing the policies was meaningful in that it set one direction for the entire Group's manufacturing activities and clarified what should be done.

Q3 Please tell us your ideas about future activities.

Yamamoto: There is a lot to learn from each company's various initiatives. Incorporating those good points in the future will likely also become an important pillar for activities. As a result of accelerating subcommittee activities in addition to sharing information, we will move forward with initiatives that serve to boost the 12 companies' total capabilities.

Nishi: As each company's business format differs, the MCC's activities can bring about awareness of an array of things. I think that expanding the NAGASE Group's overall profit while putting that awareness to use will enable us to see a new landscape that is not yet visible now. In the future, that may very well also lead to bolstering of the NAGASE Group's internal branding.

Kitano: There is a wide variety of manufacturing companies in the NAGASE Group and cooperation among the companies gives rise to valuable personal connections. Those networks are a part of the entire Group's value and there is no reason not to use them. I think that concentrating on building a foundation for manufacturing that enables worksite-oriented, self-sustained operations while further deepening sharing of that value will contribute to the NAGASE Group's sustainable growth and enhancement of its enterprise value.

Common Policies for NAGASE Group Manufacturing (Outline)

Health and Safety Policy	Quality Policy	Environmental Policy
1. Work to eliminate accidents and disasters	1. Practice safe and secure manufacturing and provision of services	1. Fulfill our responsibilities as a good corporate citizen
2. Establish safe and secure worksites	2. Enhance customer satisfaction	2. Develop businesses that give full consideration to environmental issues
3. Comply with laws and requirements	3. Comply with laws and requirements	3. Comply with all environmental laws, regulations and other rules
4. Promote educational activities	4. Set targets, conduct reviews, and make ongoing improvements	4. Establish environmental management systems and make continuous improvements
5. Disclose and make the relevant parties fully aware of our Health and Safety Policy	5. Disclose and make the relevant parties fully aware of our Quality Policy	5. Disclose and make the relevant parties fully aware of our Environmental Policy