

# Governance

In order to implement bold strategies while pursuing forward-looking reforms, we are engaging in discussions from diverse perspectives as part of our effort to strengthen our management foundation.

## CONTENTS

- 85 Management Structure
- 87 Interview with the Outside Directors
- 90 Corporate Governance
- 93 Sustainability Management
- 94 Risk Management and Compliance

# Management Structure

## Directors

Note: Number of shares held based on information available as of June 17, 2025. Figures given for the number of shares held include those held in the name of Nagase Officers' Shareholding Association and Nagase Employee's Stockholding.

	<b>Kenji Asakura</b> Representative Director and Chairman Number of shares held: 33 thousand		<b>Hiroyuki Ueshima</b> Representative Director, President and CEO Number of shares held: 27 thousand		<b>Masatoshi Kamada</b> Director and Managing Executive Officer Number of shares held: 20 thousand
	<b>Tamotsu Isobe</b> Director and Executive Officer Number of shares held: 8 thousand		<b>Yoshihisa Shimizu</b> Director and Executive Officer Number of shares held: 5 thousand		<b>Hiroshi Nagase</b> Director and Senior Adviser Number of shares held: 2,060 thousand
	<b>Ritsuko Nonomiya</b> Outside Director Number of shares held: 2 thousand		<b>Noriaki Horikiri</b> Outside Director Number of shares held: 2 thousand		<b>Toshiaki Mikoshiba</b> Outside Director Number of shares held: 0

1987	Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)	1974	Joined Kikkoman Shoyu Co., Ltd. (currently Kikkoman Corporation)	1980	Joined Honda Motor Co., Ltd. Executive Officer, Honda Motor Co., Ltd., and Director and Vice President, Honda Motor Europe Limited
1997	Partner of KPMG Corporate Finance K.K.	2003	Corporate Officer, Kikkoman Corporation	2008	President, Guangqi Honda Automobile Co., Ltd.
2000	Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)	2006	Executive Corporate Officer, Kikkoman Corporation	2011	Managing Officer, Chief Officer for Regional Operations (Europe Region), Honda Motor Co., Ltd., and President and Director, Honda Motor Europe Limited
2005	M&A Advisor and Managing Director, UBS Warburg Japan	2008	Director and Executive Corporate Officer, Kikkoman Corporation	2014	Senior Managing Officer, Honda Motor Co., Ltd.
2008	Senior Vice President and Business Development Leader, GE Capital Asia Pacific Ltd.	2011	Representative Director and Senior Executive Corporate Officer, Kikkoman Corporation	2015	Chief Officer for Regional Operations (North America), Honda Motor Co., Ltd., and President and CEO, Honda North America, Inc.
2013	Senior Executive Officer and Business Development Leader, GE Capital Japan, GE Japan Inc.	2013	Representative Director, President and CEO, Kikkoman Corporation	2016	Senior Managing Director, Honda Motor Co., Ltd.
2013	Managing Director, GCA Savian Corporation (currently GCA Corporation)	2021	Representative Director, Chairman and CEO, Kikkoman Corporation	2017	Chairman, Honda Motor Co., Ltd.
2017	Director, GCA Corporation	2022	Director, Nagase & Co., Ltd. (current position)	2019	Director, Nagase & Co., Ltd. (current position)
2020	Director, Nagase & Co., Ltd. (current position)	2023	Representative Director and Chairman, Kikkoman Corporation (current position)	2023	Director, Nagase & Co., Ltd. (current position)
2022	Representative Director and CEO, Houlihan Lokey Japan Co., Ltd. (current position)				
2024	Executive Manager, GCA Corporation (current position)				

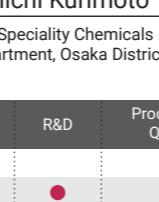
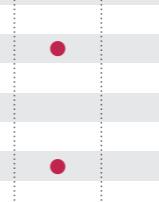
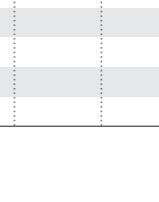
## Board of Directors and Audit & Supervisory Board Skill Matrix

The NAGASE Group has over 100 bases in around 25 countries and regions around the world. We provide unparalleled value by combining our trading, manufacturing, and R&D functions in a wide range of fields. We solve manufacturing issues with materials in the pursuit of realization of a safe and caring world where everyone can live with peace of mind. The specific roles expected of our Directors and Audit & Supervisory Board Members in driving this realization are determined by resolution of the Board of Directors following consultation with the Nominating Committee and disclosed as shown on the right.

Position	Name	Corporate Management	Global Business	Marketing/Sales	R&D	Production/Quality	Finance and Accounting	Legal Affairs/Risk Management	Human Resource Management	Sustainability	DX
Representative Director and Chairman	Kenji Asakura	●		●					●	●	
Representative Director, President and CEO	Hiroyuki Ueshima	●		●	●	●		●	●	●	
Director	Masatoshi Kamada	●	●	●				●	●	●	
Director	Tamotsu Isobe	●	●	●	●	●			●	●	
Director	Yoshihisa Shimizu	●		●					●	●	
Director and Senior Adviser	Hiroshi Nagase	●						●	●	●	
Outside Director	Ritsuko Nonomiya	●		●			●	●	●	●	
Outside Director	Noriaki Horikiri	●	●	●	●	●		●	●	●	
Outside Director	Toshiaki Mikoshiba	●	●	●	●	●		●	●	●	
Outside Audit & Supervisory Board Member	Masaya Ishida						●	●	●		
Audit & Supervisory Board Member	Akira Takami						●	●	●		
Audit & Supervisory Board Member	Takanori Yamauchi						●	●	●		
Outside Audit & Supervisory Board Member	Gan Matsui						●	●	●		

## Audit & Supervisory Board Members

Note: Number of shares held based on information available as of June 17, 2025. Figures given for the number of shares held include those held in the name of Nagase Officers' Shareholding Association and Nagase Employee's Stockholding.

	<b>Masaya Ishida</b> Outside Audit & Supervisory Board Member Number of shares held: 0		<b>Akira Takami</b> Audit & Supervisory Board Member Number of shares held: 19 thousand		<b>Takanori Yamauchi</b> Audit & Supervisory Board Member Number of shares held: 18 thousand
	<b>Gan Matsui</b> Outside Audit & Supervisory Board Member Number of shares held: 4 thousand		<b>Kazuhiro Hanba</b> GM, Corporate Management Department		<b>Toshio Wakuda</b> GM, Human Resources & General Affairs Department
	<b>Natsuki Imamura</b> GM, Risk Management Division GM, ICT Planning Division		<b>Hironao Makise</b> In charge of Nagase Diagnostics Co., Ltd.		<b>Kenji Okino</b> GM, Life & Healthcare Products Department
	<b>Kenichi Kurimoto</b> GM, Speciality Chemicals Department, Osaka District		<b>Daiji Matsuoka</b> GM, Mobility Solutions Department		

## Executive Officers

Executive Vice President	Executive Officers	Noriyoshi Yamaoka	Xiaoli Liu	Kentaro Nagase
Masaya Ikemoto	Koichi Sagawa	Greater China CEO	Manager, Nagoya Branch Office, in charge of Nagase Business Expert Co., Ltd.	GM, Nagase Bio-Innovation Center
In charge of the Prinova Business				Europe (CEO)
Kazuhiro Hanba	Toshio Wakuda	Natsuki Imamura	GM, Risk Management Division GM, ICT Planning Division	Hironao Makise
GM, Corporate Management Department	GM, Human Resources & General Affairs Department	GM, Human Resources & General Affairs Department		In charge of Nagase Diagnostics Co., Ltd.
				Ryuhei Tashima
				GM, Advanced Functional Materials Department

# Interview with the Outside Directors



## Ritsuko Nonomiya

### Reasons for appointment and expected role

Ms. Nonomiya is highly versed in finance and accounting through her experience in auditing and other operations at the KPMG Group and M&A and business development at the UBS Group and GE Group. We expect Ms. Nonomiya to draw on her global management experience at the Houlihan Lokey Group to provide recommendations for NAGASE's overall management.



## Noriaki Horikiri

### Reasons for appointment and expected role

Mr. Horikiri has deep insight and extensive experience in corporate management from an extended career in the management of Kikkoman Corporation. He is expected to contribute recommendations for overall business management, including for overseas development and production activities.

### A true sense of management in pursuit of quality

I believe the Company made significant progress improving management quality in fiscal 2024 through initiatives such as ROIC management and M&A.

ROIC management enhanced reporting speed and data accuracy, and it has become more embedded in on-site operations. In addition, the many discussions on revising executive compensation system reflected a strong awareness of cost of capital and the stock price.

The Company took a strategic, forward-looking approach to management through M&A, acquiring a high-purity semiconductor chemicals business and a diagnostics business in life sciences. Management is doing an admirable job of combining internal and external resources to strengthen its capabilities. I expect the Company to clarify priorities and act swiftly in post-acquisition integration. The effort made in the first 100 days and the first year—especially in understanding the people and businesses being integrated—is critical to a merger's success.

### Meaningful discussions and diverse perspectives

The Board of Directors is functioning at a high level of effectiveness with open and constructive discussions. The meetings have evolved from focusing mainly on approval items to engaging in forward-looking strategy discussions. They have become a healthy forum where both executives and non-executives contribute diverse viewpoints. Advance briefings and informal lunch meetings with President Ueshima ensured members

were well-informed about agenda topics and helped deepen discussion about future strategies.

The Nominating Committee is strongly committed to developing the next generation of leaders. This is reflected in the system to cultivate young talent, such as President Ueshima's apprenticeship system in which younger employees accompany him on overseas business trips. The system makes it easy to ask questions and naturally fosters dialogue between senior and younger executives at Board meetings. I see this system as a welcome and rewarding way to cultivate talent.

### As an outside director, I am determined to help create new added value

This year, the final year of **ACE 2.0**, management must articulate the next story for the Company. As an outside director, I believe this is the moment I'm truly called upon to offer concrete recommendations and actively fulfill duties. I welcome the opportunity, especially as two years of a 100% total return ratio now enable even deeper discussions about managing with awareness of capital cost and the stock price.

I look forward to continued dialogue with stakeholders and plan to visit Group companies across all regions. Direct conversations with people on the ground are a powerful reminder of the importance of shared understanding of management's challenges. I remain committed to fulfilling my duties as an outside director and contributing to enhancing corporate value.

### Fusing functions to plant the seeds for growth

The **ACE 2.0** management reform plan, launched four years ago, has significantly advanced business structure and organizational reforms. By fiscal 2024, the reorganized and streamlined divisional structure clarified responsibilities, enabled faster decision-making, allowed for more flexible resource allocation.

These improvements have laid a solid foundation for the next phase's medium-term management plan and long-term vision. The Company's future growth hinges on its ability to organically integrate its three core functions of a trading, manufacturing, and R&D.

### Better Board discussions and governance

I believe the Board of Directors is functioning effectively, with active discussions between the executives and non-executives. The Nominating Committee is addressing human resource development and organizational succession from a medium- to long-term perspective. The succession plan that is being put together covers both top management and middle management, which holds the next-generation leaders.

Coming from a manufacturing background, I pay close attention to NAGASE's on-site technologies and manufacturing capabilities. During my visit to Group company Totaku Industries (which became Nagase RooTAC Industries, Inc. in November 2025), I saw first-hand its outstanding technological strengths. The company is a prime example of how NAGASE's unique technologies can be used to develop and

manufacture products that contribute to society, such as by reinforcing national infrastructure. NAGASE has tremendous potential in this field.

### Building capital market trust with a long-term perspective

Sustainable corporate growth requires clearly communicating both short-term profitability and return goals, as well as medium- and long-term growth investment strategies. NAGASE was not widely recognized in the past, but the improved quality of its IR and PR activities in recent years has steadily increased market interest. Management is giving much more attention to capital cost and the stock price, but that alone is not enough to ensure sustainable growth. Management must decide what kind of company NAGASE aims to be in five or ten years and clearly share that vision to stakeholders.

I plan to fulfill my role as an outside director by actively contributing NAGASE's future growth and value creation.

## Interview with the Outside Directors



### Toshiaki Mikoshiba

#### Reasons for appointment and expected role

Mr. Mikoshiba brings deep insights and abundant experience in corporate management from his extensive executive career at Honda Motor Co., Ltd. He is expected to contribute recommendations mainly in the areas of sales and overseas business development.

### Steady progress in realigning the business portfolio

I believe the NAGASE Group made meaningful progress in laying the foundation for sustainable growth in FY2024. Business portfolio restructuring advanced in the four quadrants of Foundation, Focus, Development, and Improvement. In the Focus quadrant, the Company executed strategic acquisitions and expanded into the Global South, while in the Improvement quadrant, we restructured underperforming businesses, laying key groundwork for reinforcing the corporate structure and positioning the Group for further growth.

The Board of Directors has closely monitored the progress of initiatives and engaged in thoughtful, forward-looking discussions. As an outside director, I am confident that the steady accumulation of these changes has laid a solid foundation for sustainable growth during the next medium-term management plan, and ultimately for the Company's journey toward its 200th anniversary.

### Integrating functions to enhance competitiveness

The NAGASE Group's most distinctive feature is its unique business model that combines the functions of a trading company, manufacturer, and R&D organization. I find this combination both rare and full of potential. At the same time, I believe the Company must critically assess whether it is fully leveraging this potential. Unlocking that value will be essential to driving further business growth.

The key will be to fortify the manufacturing function and set NAGASE manufacturing standards across the

## 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 commitment to stakeholders: "To realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, to identify, develop, and expand through daily activities." We are working to strengthen our corporate governance, because we believe that rapid decision-making and execution, and ensuring transparency are essential for us to accomplish these objectives.

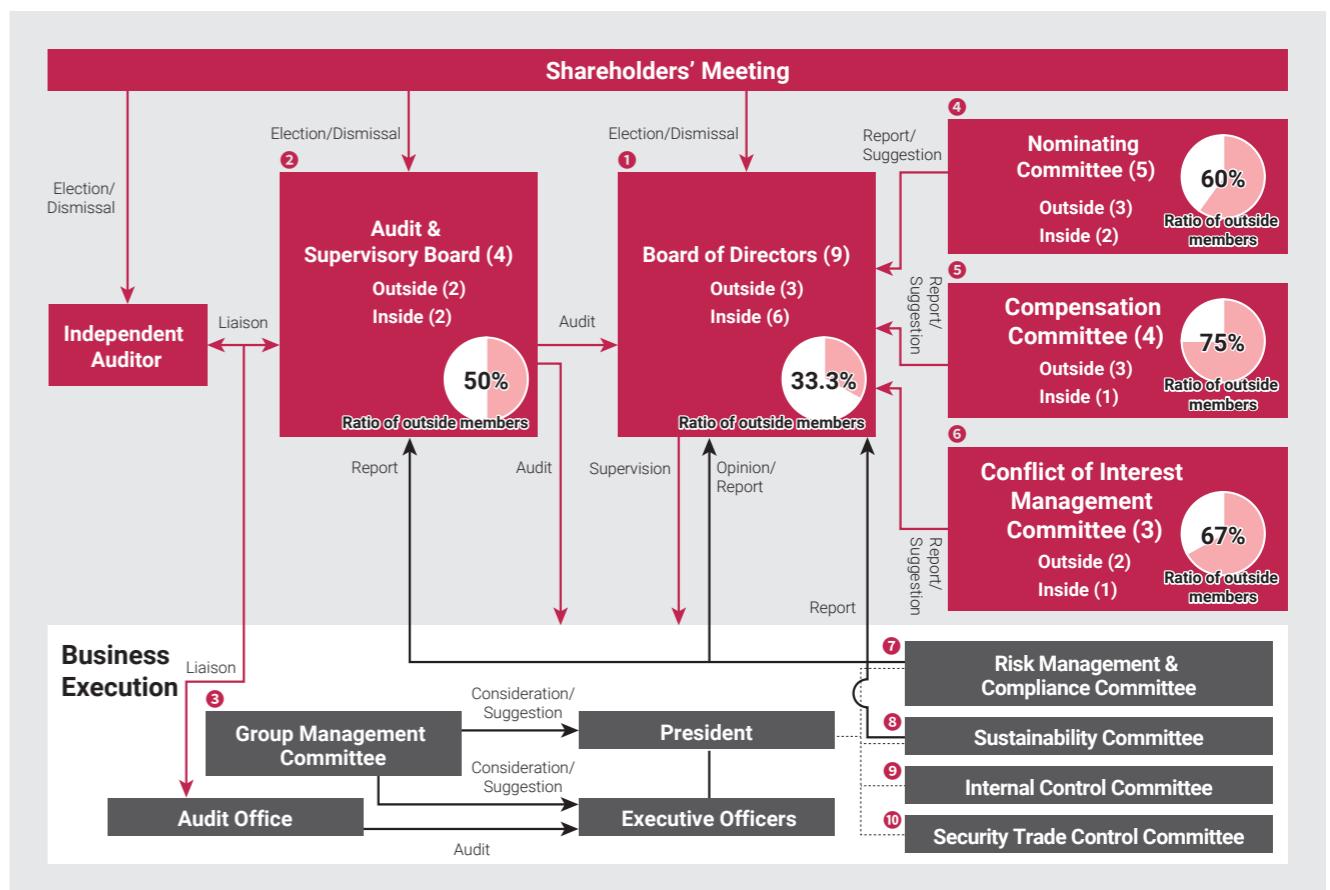
### Overview of the corporate governance system

NAGASE has adopted the structure of a company with an Audit & Supervisory Board. We have also adopted an executive officer system that separates management and

business execution, with the aim of accelerating decision-making and enhancing business execution. Our current management system is based on 9 Directors (of which 3 are Outside Directors), 17 executive officers (of which 4 are also Directors), and 4 Audit & Supervisory Board Members (of which 2 are Outside Audit & Supervisory Board Members). To strengthen the corporate governance function, NAGASE has voluntarily established a Compensation Committee, Nominating Committee, and Conflict of Interest Management Committee. Other voluntarily-established committees include the Group Management Committee, Sustainability Committee, Risk Management & Compliance Committee, Internal Control Committee, and Security Trade Control Committee.

Under the current corporate governance framework, the suggestions and advice provided from an objective standpoint by several independent Outside Directors, and the unbiased, objective oversight provided by an Audit & Supervisory Board whose members have a high level of specialist expertise and independence, have proven to be functioning effectively. We believe that, given the effective coordination between the various boards and committees that have been voluntarily established by the Company, this corporate governance framework is the most appropriate for our company.

### Corporate governance system



## Overview of the main boards and committees

Name	Overview	Composition	Number of Meetings Held in FY2024	Main Issues Addressed in FY2024
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 supervises the execution of operations. It holds a regular monthly meeting to make important decisions, track business performance and formulate measures.	9, including 3 Outside Directors	17	<ul style="list-style-type: none"> <li>- Matters relating to management strategy, sustainability, and governance</li> <li>- Matters relating to risk management, internal controls, and Compliance</li> </ul>
② Audit & Supervisory Board/Audit & Supervisory Board Members	In accordance with the audit policy and audit plans set at Audit & Supervisory Board meetings, Audit & Supervisory Board Members conduct audits of the execution of duties by Directors by attending important meetings such as Board of Directors meetings and receiving reports solicited from subsidiaries on an as-needed basis.	4, including 2 Outside Audit & Supervisory Board Members	17	<ul style="list-style-type: none"> <li>- Audit policy and audit plans</li> <li>- Audit &amp; Supervisory Board reports</li> <li>- Status of audit activities by full-time Audit &amp; Supervisory Board Members</li> <li>- Review of annual audit activities</li> <li>- Reasonableness of the Board of Directors' resolutions regarding internal control and appropriateness of the establishment and operation of internal control systems, etc.</li> </ul>
③ Group Management Committee	The Group Management Committee is composed of members appointed by the Board of Directors, and in principle, meets regularly once a month to discuss management strategies, investment projects, and other important matters to support business decision-making. This committee serves as an advisory body that discusses matters resolved by the Board of Directors.	Members appointed by the Board of Directors	12	<ul style="list-style-type: none"> <li>- Matters relating to management strategy, sustainability, and governance</li> <li>- Matters relating to risk management, internal controls, and Compliance</li> </ul>
④ Nominating Committee	The Nominating Committee has five members, the majority being Outside Directors. It deliberates on appointment proposals and succession plans for Directors and Executive officers. 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, including 3 Outside Officers	4	<ul style="list-style-type: none"> <li>- Succession Planning</li> <li>- Matters relating to the following year's Directors and Executive Officers</li> </ul>
⑤ Compensation Committee	The Compensation Committee has four members, the majority being Outside Directors. It enhances 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.	4, including 3 Outside Directors	6	<ul style="list-style-type: none"> <li>- Matters relating to the compensation system for company Officers</li> </ul>
⑥ Conflict of Interest Management Committee	The Conflict of Interest Management Committee has three members, the majority being Outside Directors and Outside Audit & Supervisory Board Members. It deliberates on potential conflicts of interest in relation to the Group's business operations with objectivity and transparency, and reports to and makes recommendations to the Board of Directors.	3, including 1 Outside Director and 1 Outside Audit & Supervisory Board Member	1	<ul style="list-style-type: none"> <li>- Various separate issues</li> </ul>
⑦ 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.			
⑧ Sustainability Committee	The Sustainability Committee is chaired by the President with Executive Officers and Group company managers as members. This Committee formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures, and conducts educational activities within the Group.			
⑨ Internal Control Committee	The Internal Control Committee deliberates on 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.			
⑩ Security Trade Control Committee	The Security Trade Control Committee ensures legal and regulatory compliance regarding the trading of goods and technologies subject regulated by the Foreign Exchange and Foreign Trade Act and other export-related legislation.			

## Board of Directors effectiveness evaluation

### Evaluation method

The Company analyzes and evaluates the effectiveness of the Board of Directors every year, believing in the importance of improving board effectiveness. It conducts an anonymous survey of all Directors and Audit & Supervisory Board Members in order to generate more proactive and honest opinions. Anonymity is maintained because respondents respond directly to an outside organization.

### Evaluation results

Based on the evaluation results, the Company confirmed that its Board of Directors functions effectively, conducting appropriate and timely deliberations and decision-making. The status of the response to items recognized as issues in fiscal 2023, and the issues recognized in fiscal 2024 based on the evaluation results, and the response strategy for these issues, are listed on the right.

### Status of the response to items recognized as issues in FY2023

- The need to further enhance discussion and monitoring by the Board of Directors
  - In addition to deliberations on the formulation of the next Medium-Term Management Plan, the Board of Directors also held in-depth discussions on the state of the corporate governance system based on the results of the governance survey.
  - By having Outside Directors conduct inspections of domestic and international Group bases, we strove to increase the Directors' understanding of the Group as a whole, as well as its businesses.
  - The state of dialogue with shareholders and investors was reported to the Board of Directors, promoting constructive discussion aimed at sustained growth and the enhancement of corporate value.

### Issues recognized in the FY2024 evaluation results

- We recognize that there continue to be issues regarding the operation of the Board of Directors (meeting materials and standards for agenda items) as well as the strengthening of its monitoring functions (subsidiary management and business portfolio management).

Based on this effectiveness evaluation, the Board will respond to issues after due consideration and continue its efforts to improve its functioning.

## Company officer compensation policy

We are a corporate group that "solves manufacturing issues with materials," based on the relationships of trust with stakeholders built over the years by maintaining the highest standards of integrity. In an era where economic value is expected to coexist with social value, we will contribute not only to short term but also to medium and long term business, and pursue the realization of a sustainable world where people live with peace of mind.

In order to drive the achievement of these goals, we designed the following system for Inside Directors and Executive Officers according with the basic policies that align director interests with shareholder value, enhance incentives to improve both short and medium term performance and corporate value, set externally competitive compensation levels, and establish a transparent and objective remuneration system and decision making process.

Type of compensation (approximate ratio)	Purpose	Performance metrics	Evaluation period
<b>Basic compensation (33–59%)</b>	Fixed	Basic compensation for execution of duties	–
	Variable	<ul style="list-style-type: none"> <li>• Consolidated operating income</li> <li>• Business division operating income (for Directors in charge of business divisions)</li> </ul>	1 year
<b>Annual bonus (27–33%)</b>		Incentivize improvement in annual business performance	
<b>Stock compensation (13–33%)</b>		Individual performance evaluations	
<b>Performance-linked stock compensation</b>		Incentivize sustainable growth in corporate value	3 years*
<b>Restricted stock compensation</b>		Align interest with shareholder value	

The indicated ratios show the proportion of each compensation type, assuming 100% achievement of performance targets based on the standard value. Director, senior adviser not eligible for stock-based compensation are excluded.

\*However, the Company will evaluate fiscal 2025, the final year of the current medium-term management plan, based on a single fiscal year.

The Company determines its policy on the amounts and calculation methods of director remuneration based on recommendations from the Compensation Committee, which consists of a majority of Outside Directors, as well as on deliberations by the Board of Directors.

In order to attract and retain diverse, skilled human capital capable of accelerating business transformation, and foster the growth ambition of the next generation of management leaders, the Company uses objective external compensation data to benchmark itself against competitive domestic companies in both business operations and talent acquisition. It sets its compensation levels at or above the market median of such data, taking into account business conditions and other relevant factors.

To provide motivation for sustained enhancement of corporate value, we use a compensation structure with variable compensation accounting for between 40–67% of total compensation (in the case of standard evaluations) depending on each Director and Executive Officer's roles and responsibilities.

Compensation for Outside Directors and Audit & Supervisory Board Members is limited to basic compensation, a fixed salary, in view of the nature of their duties.

### Breakdown of company officers' compensation and total amounts (FY2024)

Category of company officer	No. of eligible company officers	Total amount of compensation (million yen)	Total amount of compensation by type (million yen)		
			Fixed salary	Performance-linked compensation	Performance-linked compensation (non-monetary)
Inside Director	6	440	180	229	30
	3	40	40	—	—
	9	481	221	229	30
Outside Director	2	50	50	—	—
	3	34	34	—	—
	5	84	84	—	—
Audit & Supervisory Board Member	2	—	—	—	—
	3	—	—	—	—
	5	—	—	—	—

## Strategic cross-shareholdings

To realize the sustainable enhancement of corporate value, the NAGASE Group holds strategic cross-shareholdings when this is deemed necessary, taking into account a comprehensive range of factors such as those relating to the maintenance and strengthening of relationships with business partners, business strategy, etc. The Board of Directors annually confirms the appropriateness of these shareholdings, based on the results of a detailed review by the responsible departments of the prospects for business expansion and synergies or whether such a company can be expected to provide stable services essential to the Group's business activities, in light of the earnings situation through related transaction gains and dividends received. In cases where the holding of a particular stock is deemed not to be appropriate, the Company will aim to reduce its holdings of these shares by selling them off in a step-by-step process, while taking various factors into account.

In addition, under the Medium-Term Management Plan **ACE 2.0**, implementation of which began in fiscal 2021, NAGASE plans to sell off strategic cross shareholdings valued at a cumulative total of 30 billion yen over a five-year period. As of March 31, 2025, a total of 25.6 billion yen of shareholdings had already been sold off.

### Sale of strategic cross-shareholdings

(FY)	2019	2020	Medium-Term Management Plan ACE 2.0				Total over the Medium-Term Management Plan period
			2021	2022	2023	2024	
No. of stocks sold off	7 Stocks	5 Stocks	49 Stocks	13 Stocks	17 Stocks	2 Stocks	81 Stocks
Total sale price	10.4 billion yen	6.2 billion yen	7.8 billion yen	7.3 billion yen	7.1 billion yen	32.0 billion yen	25.6 billion yen

# Sustainability Management

## Sustainability Basic Policy

The NAGASE Group has established the Sustainability Basic Policy as a way of thinking shared throughout its value system. By contributing solutions to social and environmental issues through its corporate activities in line with basic policy, we will contribute toward the realization of a sustainable society.

### 1. Integrity in business activities

- We shall conduct our corporate activities in compliance with all applicable national and regional laws and regulations, and in keeping with societal norms and ethical standards.
- We shall strive to prevent corruption of all kinds and maintain healthy and proper relations with our partners and government entities.
- We shall strive to provide safe, high-quality products and services, and seek to maintain and improve the value to our customers and partners.
- We shall safeguard the benefit to the consumer through maintaining and promoting fair and free competition.
- We shall strive toward rigorous management and protection of information about our customers and our company.

### 2. Positive relations with society

- We respect human rights and do not permit any sort of discriminatory conduct. We absolutely refuse to accept infringements of human rights such as forced labor or child labor.
- We respect the cultures and practices of national and regional societies, maintaining positive relations with society.
- We shall strive to ensure health, safety, and appropriate communication with our diverse stakeholders.
- We shall constantly pay detailed attention to sustainability among our suppliers, and shall work to make corrections should there be any doubt as to their sustainability.
- We shall proactively disclose corporate information as appropriate.

### 3. Consideration for the environment

- We shall comply with national and regional environmental regulations.
- We shall contribute to the maintenance of the global environment, including limiting climate change and preventing contamination, promoting reduction in the environmental footprint of our business activities through suppression of greenhouse gas emissions and energy consumption.
- We shall, through environmentally-conscious products and services, provide information to our customers about appropriate product usage, recycling, and disposal methods.
- We shall contribute broadly to society through environmental conservation activities in various countries and regions.
- We recognize the importance of biodiversity and shall strive to conserve ecosystems.

Note: Information about the NAGASE Group's sustainability is also available on our website.  
<https://www.nagase.co.jp/english/sustainability/>

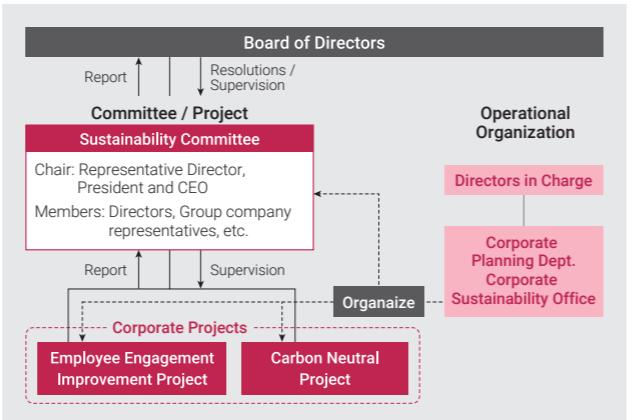
# Risk Management and Compliance

## Sustainability promotion structure

We operate the Sustainability Committee, chaired by the Representative Director, President and CEO, with the aim of continuously increasing the NAGASE Group's corporate value by helping solve social and environmental issues through its corporate activities. The Committee consists of one chairperson and two or more members. Members are assigned by the President from among Directors and representatives of group companies. The Sustainability Committee identifies and revises materiality (key issues), establishes and maintains a group-wide promotion structure, and monitors various initiatives, including non-financial targets (KPIs). At least once a year, the Committee reports on its handling of these matters, as well as progress it has made, to the Board of Directors, and is subject to its resolutions and supervision. (See page 27 for details on Materiality)

Furthermore, the Sustainability Committee has designated "employee engagement improvement," "realize a decarbonization," and "transparency in corporate governance" as particularly high-priority key issues requiring the attention of the entire Group. The first two of these are being addressed by establishing corporate projects comprised of Directors, Executive Officers, Group company senior managers, and other members.

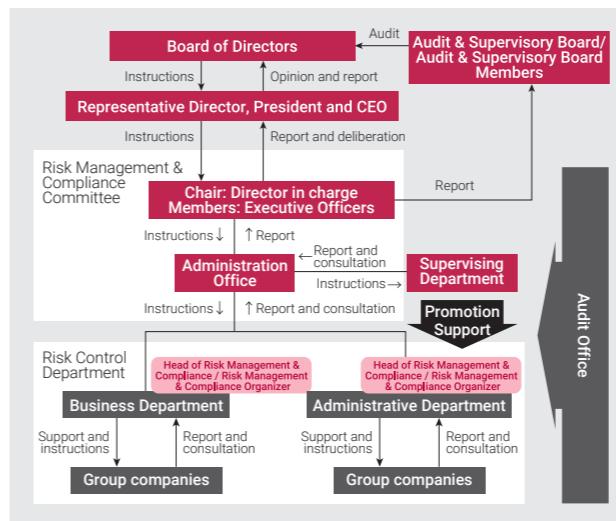
Supervised by the Sustainability Committee, each of these projects discusses specific policies and measures for achieving the non-financial KPIs. At least once a year, important matters related to each project are also reported by the Sustainability Committee to the Board of Directors, and are subject to its supervision.



## Overview of the risk management and compliance system

In line with the NAGASE Group's management philosophy, the Risk Management & Compliance Committee (chaired by a Director and Executive Officer) created the Code of Conduct for Risk Management & Compliance, which covers not only legal compliance but also corporate ethics. Based on this Code of Conduct, the Committee works to establish, disseminate, and consolidate a risk management system and a compliance system.

### Risk management and compliance system



## The NAGASE Group risk management and compliance system

We have established Risk Management & Compliance Committees at all Group companies and overseas regions over a certain size as part of an effort to establish, disseminate, and consolidate their risk management and compliance systems. These Committees also accept reports and requests for consultations from employees.

We have also appointed a Head of Risk Management & Compliance and Risk Management & Compliance Organizers at every NAGASE Group company and overseas location in an effort to promote the permeation of our groupwide risk management and compliance policies and assure the early detection of risks.

Through the "Compliance Support Round" activity started in fiscal 2023, compliance officers from the head office visited all domestic Group companies that did not have a Risk Management & Compliance Committee in fiscal 2024. We were engaged in information exchanges aimed at promoting compliance at each company.

## Risk Management

### Basic approach

The NAGASE Group classifies internal and external risks related to its business activities into two categories: risk management during normal times and management crisis control during emergencies, so that it can work to improve its ability to respond to each type of risk. The purpose of risk management is to ensure stable business continuity and sustainable growth by minimizing damage and loss caused by the manifestation of risks while taking appropriate risk mitigating measures.

### Significant Group risks and countermeasures for FY2024

To visualize the risks, the Committee identifies the risks, create risk scenarios for all of them and evaluates them on the two axes: one is impact, and the other is frequency and likelihood of occurrence. This helps to specify significant risks.

Categories of significant risk	Countermeasure
Risks related to climate change	We are engaged in carbon neutrality initiatives, and have endorsed the TCFD recommendations.
Risks related to social demands	We are striving to minimize our impact on ecosystems and contribute to their recovery. ➡ See page 68 for details on our human rights initiatives.
Risks related to exchange rate fluctuations	We are making an effort to minimize the risk of FE fluctuations by hedging with FECs.
Risks related to socioeconomic change	We are reviewing/revising Materiality in light of changes in the external environment, etc.
Risks related to fluctuations in commodity markets	We will aim to minimize these risks and optimize inventory levels.
Geopolitical risks	We will strive to build a supply chain not dependent on specific countries, regions, or suppliers.
Investment risks	We evaluate/analyze investments from a wide perspective, and make decisions based on quantitative criteria and qualitative assessments.
Risks related to product/service quality and manufacturing	We will strive to ensure the safety of products through Group-wide rules and education.
Risks related to loss of competitive advantage	We will expand suppliers, change regional strategies, and develop new products/services as the situation requires.

For details, see the ["Nagase & Co., Ltd. Annual Securities Report for the 110th Fiscal Year"](#) (Japanese only).

### Product safety and quality control

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 Company manages its suppliers and contract manufacturers and provides training to raise the level of product safety and quality control at each of its manufacturing companies.

## Risk management by the Group Manufacturers' Collaboration Committee

The Group Manufacturers' Collaboration Committee facilitates the enhancement of each member company's capabilities through the mutual sharing of know-how. Each of its four subcommittees tackles a different topic. The Labor Safety Subcommittee diagnoses occupational safety issues. The Quality Improvement Subcommittee engages in activities to improve quality control technology. The Environmental Subcommittee is in charge of environmental measures. The DX Promotion Subcommittee promotes the introduction of digital manufacturing technologies.

## Response to security trade controls

To conduct trade appropriately in line with laws and regulations as a member of the international community, we established a Security Trade Control Committee headed by the Representative Director and President. The Committee works to understand the export control situation, follow the latest revisions to the Foreign Exchange and Foreign Trade Act and other legislation, ascertain a detailed picture of export controls across the entire Group, and formulate related policies for the Group. Furthermore, we have appointed Security Trade Control Officers at each of our overseas subsidiaries and domestic Group companies, and are managing risks in the supply chain by facilitating information exchanges and establishing education systems.

We also utilize our comprehensive product management system, export control system, and other tools to share information on products subject to export restrictions with our overseas subsidiaries, enabling them to handle cargo and technology appropriately when importing such products. In fiscal 2024, we visited five bases in China and three bases in the ASEAN region to confirm their operational systems.

In terms of education, we conduct security trade control education every year for all employees, including executives. The Company encourages its employees, particularly those involved in export business, to take the security trade control certification examination provided by the Center for Information on Security Trade Control (CISTEC). As of the end of fiscal 2024, a cumulative total of 1,200 employees have passed the exam.

## Compliance with laws and regulations related to products

Utilizing our comprehensive product management system, we assess the more than 100,000 products handled by the NAGASE Group at the component level to determine whether they are imports subject to laws and regulations

related to products including chemical management. For these products, we quickly create SDSs compliant with domestic laws and regulations and distribute them using the DocuValue SDS distribution management system. In fiscal 2024, there were no critical issues identified during the periodic on-site inspections by the Ministry of Economy, Trade and Industry (METI) we undergo every few years in accordance with the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

In addition, NAGASE is serving as a task force member in the Chemical and Circular Management Platform (CMP) initiative announced by METI in March 2024. By enabling seamless transmission of information from upstream to downstream, we aim to curb the need for additional investigations when regulations change, and promote the visualization of resource recycling information.

## Compliance

### Establishment of Compliance Hotline

The NAGASE Group has introduced the Compliance Hotline, an internal reporting (whistleblowing) system where all Group executive and employees can seek counsel and report concerns anonymously and with strict confidentiality. In addition to our existing internal contact point and external contact point (through our legal advisor), a contact point for consultation and reporting managed by only female employees was established in fiscal 2024, bringing the total number of contact points for consultation/reporting to three. We have also contracted with lawyers in every country we operate to establish the contact point for consultation and reporting in the local languages of each country. Furthermore, we have established a contact point for external inquiries and reports on our corporate website, and have notified all employees of its existence so that we can receive consultations and reports from freelancers.

In fiscal 2024, in order to be able to disclose the number of internal reports as part of our efforts to strengthen non-financial information disclosure, we established criteria for what should be treated as an internal report (whistleblowing). By these criteria, there were 79 internal reports in Japan and overseas in fiscal 2024. However, there were no compliance violations with a material impact on the management of the Company or its consolidated subsidiaries.

## Compliance education for management and employees

In order to eradicate all forms of harassment, including workplace bullying and sexual harassment, we conducted various training programs for different levels of employees in fiscal 2024. E-learning courses were delivered at the end of each month, and the average participation rate for all 12 courses was approximately 89%. We will continue to work to raise awareness of harassment prevention.

### Training conducted in FY2024

- Training for employees involved in the handling of internal reporting: 45 participants from 20 Group companies
- Compliance training for Directors of Group companies
- In-person harassment prevention training for all section managers
- In-person human rights and compliance training at six locations in China and three in the ASEAN region

## Information security system

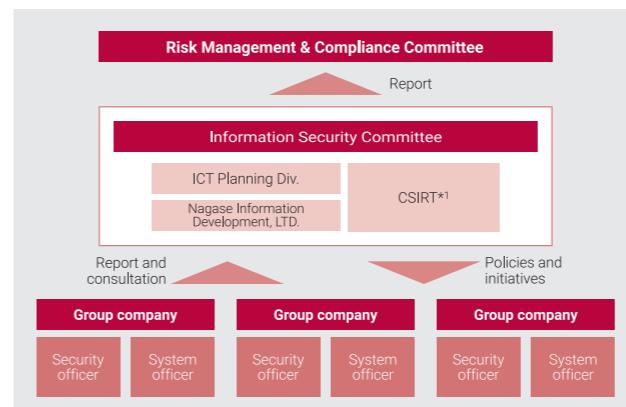
### Basic approach

The NAGASE Group recognizes that maintaining and improving the security of its information systems and the level of information security is an important management issue given its critical role in the supply chain. To this end, the Group has established an information security promotion system and policies, and is continuously implementing various security measures, as well as focusing on training and educating Group employees.

### Information security promotion system

To promote information security, an Information Security Committee has been established under the supervision of the Risk Management & Compliance Committee. This helps to integrate it into the risk management system and to formulate and promote policies and measures at the Group

### Information security system



level. Each Group company appoints a Security Officer and a Systems Officer who are responsible for implementing the Group's policies and for promptly reporting and responding to any incidents.

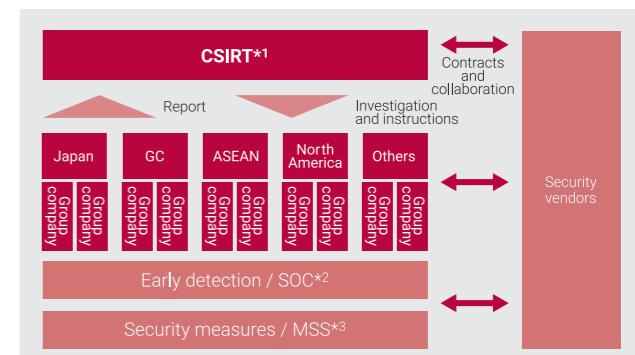
## Information Security Policy

The Group implements a continuous improvement cycle to promote information security based on the Information Security Basic Policy and the Information Security Measures Guideline, which comprehensively describe the rules and recommended security level.

## Cyber security enhancement initiatives

With targeted threats to businesses becoming more sophisticated every day, countering and responding to cyber-attacks is a critical management issue. The NAGASE Group is strengthening its cyber-attack countermeasures in terms of prevention, mitigation, and business continuity. To this end, the Group has built a cybersecurity structure by leveraging security vendors and other external service providers.

### Cybersecurity structure



\*1 CSIRT: Computer Security Incident Response Team  
A dedicated team has been established to respond to cybersecurity incidents within the Group.

\*2 SOC: Security Operation Center  
The NAGASE Group has installed security products (EDR) in the endpoints (PCs/servers) of Group companies to prepare for cyber-attacks and malware infiltration. EDR detects suspicious behavior and cyber-attacks on endpoints and notifies a centralized control center called SOC to confirm the attack at an early stage and prevent the spread of damage.

\*3 MSS: Managed Security Service  
In response to the increasing sophistication of cybersecurity, each Group company maintains and enhances the level of security by outsourcing some of the operational and administrative tasks to external specialized providers.

### Employee training

To maintain and enhance the level of information security, it is essential to raise the awareness and literacy of each employee. The NAGASE Group regularly conducts the following.

- Training against targeted email attacks
- Periodic e-learning courses on information security
- Familiarization of new employees with the Information Security Basic Policy