

NAGASE

NAGASE & CO.,LTD.

<http://www.nagase.co.jp/>

NAGASE

NAGASE Group
CSR Report 2012

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Editorial Policy

To effectively communicate to readers that CSR activities undertaken by the Nagase Group are what drive the realization of our corporate philosophy and vision, this report spotlights employee activities of how people are valuable assets that make Nagase a Technology- and Intelligence-Oriented Company that Turns Wisdom into Business.

Period Covered: Fiscal 2011 (April 1, 2011 to March 31, 2012)

About Nagase & Co., Ltd.

Company Name	NAGASE & CO., LTD.
Founded	June 18, 1832
Established	December 9, 1917
Capital	¥9,699 million
Employees	961 (Consolidated: 5,545)
Main Business	Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods
Main Banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited
Main Offices	<p>Osaka Head Office: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114</p> <p>Tokyo Head Office: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021</p> <p>Nagoya Branch Office: 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615</p> <p>Nagase R&D Center: Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162</p> <p>Nagase Application Workshop: 2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730</p>

Composition Ratio of Net Sales by Region



CSR Management



Management Philosophy

Maintain Good and Fair Business Practices

The Nagase Group is a member of world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees.

"The Nagase Way" Action Principles

- 1 Always be customer-oriented.**
- 2 Always be a creative challenger.**
- 3 Always use the power of the Nagase Group.**
- 4 Always think globally and act locally.**
- 5 Always think systematically and act speedily.**

Basic Concept of CSR

The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees. Nagase concentrates not only on business growth but also on CSR-oriented operations with active contributions to society in the areas of environmental preservation, responsibilities as a good corporate citizen and development of scientific technology.

The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees. To implement this philosophy and continue raising corporate value, we believe that quick decision-making and action, as well as active, transparent management, are vital. In addition, with the advance of globalization, Nagase is aggressively working to strengthen corporate governance as a key management issue.

Corporate Controls

Under a corporate system that adopts a Board of Auditors, Nagase introduced the executive officer system in June 2001. The Company's current management framework consists of ten directors (including two outside directors), 20 executive officers (eight of whom concurrently serve as directors), and four corporate auditors (including two outside corporate auditors). 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 reviews and formulates measures regarding important decisions and tracks business performance.

Corporate Auditors

In accordance with audit policy and standards for responsible work set at Board of Auditors' meetings, corporate auditors attend important meetings, such as Board of Directors' meetings, and conduct audits of the execution of duties of directors and executive officers based on reports solicited from subsidiaries on an as-needed basis.

Executive Officers

Executive officers determine specific measures for sales-related administrative matters by attending divisional general managers' meetings and supervisors' meetings and discussing each division's status report. In light of the importance of securing objective supervision of and guidance on its management, Nagase set up an Advisory Board to secure advisors from outside the Company.

Committees

Nagase established the following committees to reinforce its corporate governance function.

With the majority of its members made up of outside directors, the Compensation Committee ensures the objectivity and transparency of

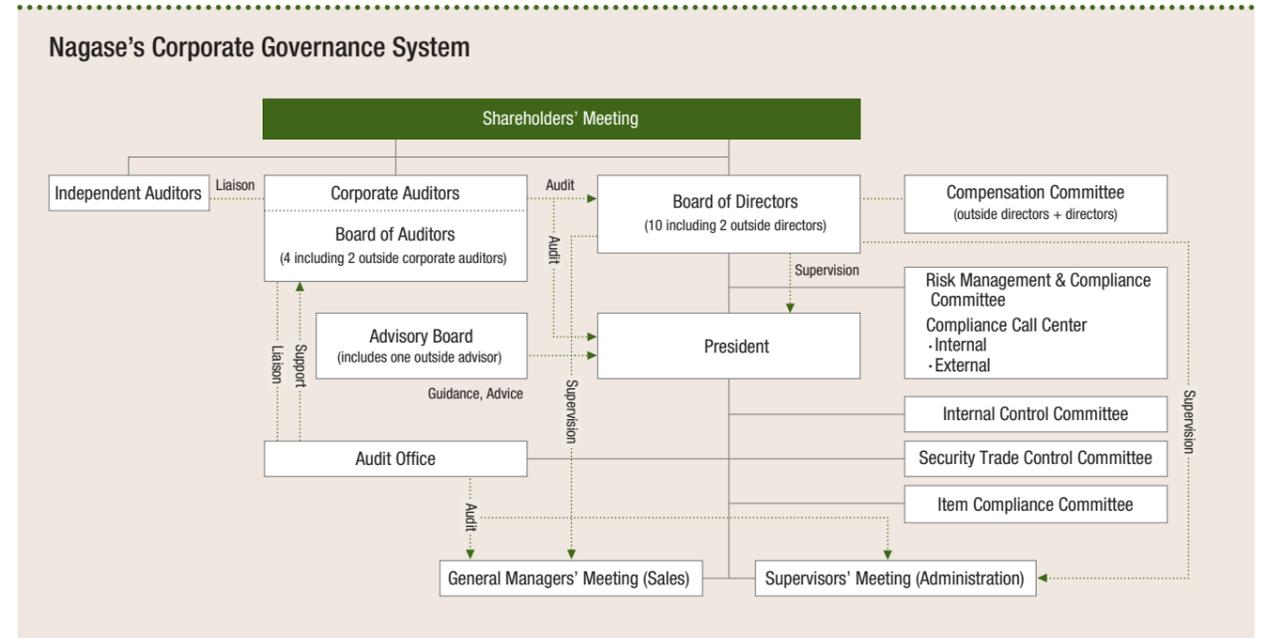
the Company's directors and executive officers in the decision-making process regarding compensation by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

As a consultative body for the Board of Directors, the Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance but also corporate ethics. The Committee also maintains ISO environmental management standards and promotes energy conservation initiatives.

The Internal Control Committee documents the companywide internal control conditions and financial statement preparation process to further enhance its financial reporting credibility, while maintaining and strengthening a structure to carry out evaluation and improvements.

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 cargos and technologies covered by such laws and regulations. The Item Compliance Committee ensures strict compliance with laws and regulations related to those of the Company's products that come under the purview of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the Pharmaceutical Affairs Act.

Under the executive officer system, Nagase's corporate governance system collaborates with the abovementioned committees to appoint outside directors and members to the Board of Auditors as well as to reinforce its corporate governance system. Having secured supervision and auditing functions that operate from diversified perspectives, including from outside the Company, Nagase believes the current corporate governance system is more rational than ever. We will increase our efforts to further reinforce our corporate governance system to secure stakeholders' trust.



Internal Audits, Corporate Auditor Audits, and Financial Statement Audits

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities. The Audit Office is staffed by eleven employees, including certified internal auditors (CIA), qualified internal auditors (QIA) and other individuals who possess specialized knowledge in internal audits. The Board of Auditors consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance, accounting, general corporate management, compliance (including those who are board-certified compliance officers) and governance.

The Company established the Audit Office to also ensure corporate auditors' auditing effectiveness, supplying staff upon request to support the corporate auditors' work. The Audit Office and the Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries, while holding meetings twice a year with affiliate companies' auditors. In addition, they perform wide-ranging liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase's independent auditors, regarding accounting matters and associated internal controls; maintaining a presence during

accounting audits; and cooperating as needed with audits conducted at affiliated companies, including those located overseas. In addition to discussing individual matters with corporate auditors on a daily basis, independent auditors also hold meetings twice a year with the Board of Auditors.

Nagase established the Internal Control Committee and the Committee Affairs Bureau in its internal control section, and the Audit Office serves as the Company's independent internal auditor. Evaluation results of internal control operations are reported appropriately to the Internal Control Committee by the Audit Office, and the Internal Control Committee reports on the internal control status to the Board of Auditors and independent auditors on a regular basis.

Audits by certified public accounts are performed in a fair and unbiased manner by a staff of 26, which includes the following specified limited-liability partners and accountant trainees.

Certified Public Accountants		Auditing Firm
Specified limited-liability partners	Kenichiro Arai	Ernst & Young ShinNihon LLC
Managing partners	Yuka Hayashi	

Independent Directors and Independent Corporate Auditors

Nagase appointed all of its outside officers, namely, the two outside directors, Messrs. Iwao Nakamura and Yasuo Nishiguchi, and two outside corporate auditors, Messrs. Hideo Yamashita and Toshio Takano, and registered them as Nagase's independent directors and independent corporate auditors with the Tokyo Stock Exchange.

Category	Name	Major Actions in Fiscal 2011
Outside Directors	Iwao Nakamura	Iwao Nakamura attended all 16 Board of Directors' meetings (100% attendance ratio) and provided appropriate opinions and advice attained from his experience in industry.
	Yasuo Nishiguchi	Named an outside director in June 2012. We have high expectations that this former consultant and long-time executive at Kyocera Corporation will help strengthen our corporate governance function by suggesting potential improvements across our organization based on his wealth of business experience.
Corporate Auditors	Hideo Yamashita	Hideo Yamashita attended all 16 Board of Directors' and all 13 Board of Auditors' meetings (100% attendance ratio) and provided appropriate opinions based on his wide-ranging experience gained from many years of working overseas in financial institutions.
	Toshio Takano	Toshio Takano attended 14 of 16 Board of Directors' meetings (88% attendance ratio) and all 13 Board of Auditors' meetings (100% attendance ratio) and provided appropriate opinions from his specialized perspective as a lawyer.

(Note) The number of Board of Directors' meetings referenced above does not include resolutions made in writing.

Information Disclosure

We engage in continuing communications with society through the Nagase Group Compliance Behavior Standards and timely disclosure of important information through proper channels. Through the establishment of the Nagase Group Code of Conduct and the timely disclosure via proper channels of information needed by society, we engage in continuing communication with society. In this way, we maintain a fair, transparent dialogue, never allowing corporate activities to deviate from socially accepted norms.

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

IR Activities

1. Initiatives for More Active General Shareholders' Meeting; Facilitating the Exercise of Voting Rights

(Early Delivery of General Shareholders' Meeting Convocation Notices)

- We sent convocation notices on June 6 announcing our June 28, 2011 96th General Shareholders' Meeting. We sent this notice earlier than the deadline required by law.

(Electronic Exercise of Voting Rights)

- The Company has adopted the exercise of voting rights via Internet and an electronic voting platform.

2. Initiatives for Improving Contact with Investors

(Regular Briefings with Institutional Investors and Analysts)

The Company holds financial briefing meetings with institutional investors and analysts once every half year. The Company's president and officers provide details of performance, earnings forecasts, and other management issues. A video record of these briefings is provided in Japanese with English interpretation on the Corporate website.

(Facility Tours)

The Company holds facility tours for institutional investors and analysts. In fiscal 2011, the Company provided a plant tour at Nagase ChemteX Corp., a Company subsidiary.

(Individual Meetings)

The Company engages in individual meetings with institutional investors and analysts as appropriate.

(Corporate Introduction Videos)

The Company creates corporate introductory videos for stakeholders to view on the Company's website.

(IR Publications)

Twice annually, the Company publishes a shareholder newsletter. The Company also publishes an annual report, available to all stakeholders.

(IR Website)

The Company publishes financial information, stock data, briefing materials, and associated media (videos, etc.) through the Company's IR website: <http://www.nagase.co.jp/english/ir/>

IR Activities

The Company's representative director, officers, and investor relations staff actively engage in investor relations activities for our shareholders and for institutional investors in Japan and around the world.

Please contact the Company's Public & Investor Relations Section of the Finance Division with any investor relations inquiries:

[Tel.] 81-3-3665-3028

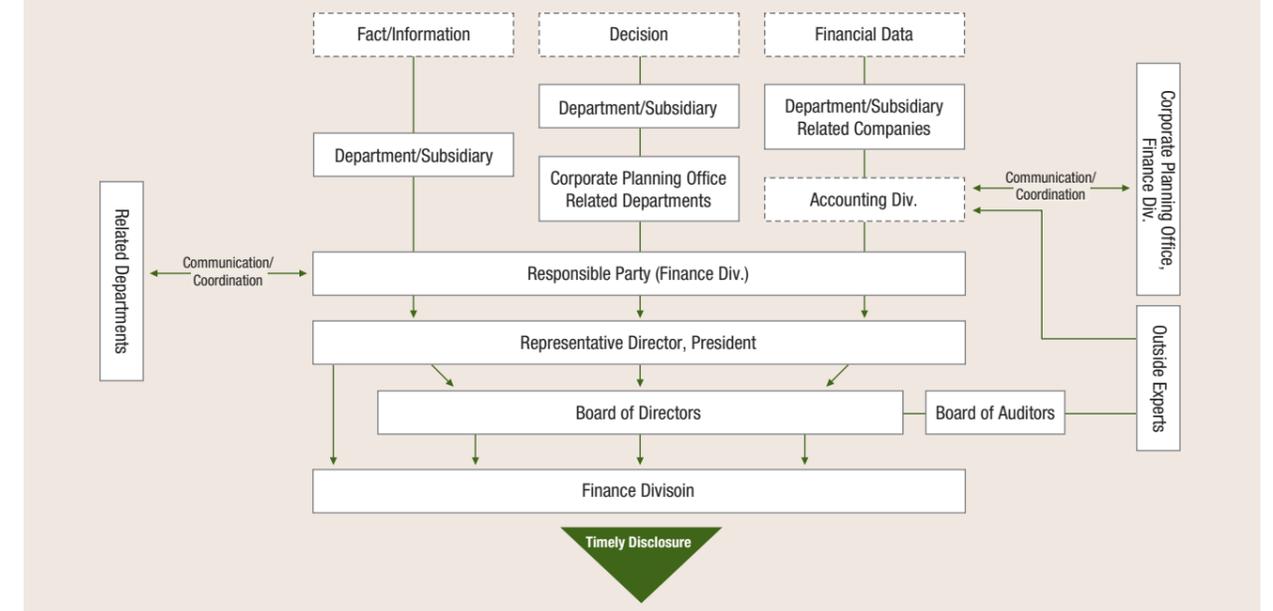
[IR Website] <http://www.nagase.co.jp/english/ir/>

Timely Disclosure

The Company has established Basic Compliance Policies that require compliance with laws, regulations and Company rules, as well as disclosing information to stakeholders. We proactively disclose corporate information in a fair manner, striving to maintain management transparency.

The Company has set into place the following internal systems to support the timely and appropriate disclosure of Company information to investors. This system allows the Company to identify and manage information for timely disclosure. The Company works to consistently manage important internal information and prevent insider trading, as guided by Company rules in this area.

Timely Disclosure System



Facts or information subject to disclosure are reported to the responsible party through the related division president/department GM, according to information provided from a department or subsidiary. The responsible party coordinates with internal departments and reports to the representative director/president of the Company. As necessary, a report is made to the Board of Directors, after which the Finance Division promptly makes a public disclosure of said facts or information.

Information related to decisions is forwarded via department/subsidiary internal memo to the Corporate Planning Office or related department for approval. From there, the information is reported to the

Company representative director/president, and then on to the Board of Directors for a final resolution before the timely disclosure of said information by the Finance Division.

To ensure reliability, information related to financial results (including information from consolidated affiliates) is submitted for review by the Accounting Division, Finance Division, and Corporate Planning Office to corporate auditors and outside experts for advice and guidance. Subsequently, financial data and publication drafts are prepared and submitted for approval to the Board of Directors, after which the information is promptly disclosed to the public by the Finance Division.

The Nagase Group, being aware that risk management and compliance are bound together within one system, establishes, maintains, improves and promotes across the entire Group structures for compliance and risk management that reflect not only legal compliance but also corporate ethics. This Risk Management and Compliance section aims to introduce specific measures being taken with regard to Product Quality Risk and Risks of Handling Various Chemicals, against the backdrop of known risks as the Nagase Group conducts global business development.

Comprehensive Identification, Understanding and Control of Risks

In April 2008, the Company reorganized the Compliance Committee into the Risk Management & Compliance Committee to put in place a comprehensive structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. The Company maintains a structure that sets the committee's functions and authority and clarifies its roles and responsibilities. Under the committee's leadership, department managers address risks in their particular areas by formulating rules and implementing training. The Company also works through the Risk Management & Compliance Committee to develop systems and departments responsible for additional risks that materialize and strives to lower the risks that could

impact the Company's business.

In addition, the Risk Management & Compliance Committee formulates the basic compliance policy to develop and maintain the Company's compliance system and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the Nagase Group Code of Conduct. Should employees of Nagase or its Group companies become aware of legal or other compliance issues, they report to the Risk Management & Compliance Committee, which immediately reports to the Board of Auditors. In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly.

Specific Measures Taken for Individual Risks: Product Safety and Quality Control

As the Nagase Group accelerates business globalization, the volume of off-shore transactions it engages in as well as exports to and imports from China and other rapidly growing countries is increasing. The Company's principal suppliers to date have been major chemical manufacturers in Europe and the United States, which differ from new suppliers in emerging countries in that transactions with the latter require that initiatives be put in place to prevent the occurrence of quality management and other issues due to legal and regulatory differences between Japan and the countries in question. Therefore, Nagase recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management.

We have also strengthened and expanded Groupwide research, development, and manufacturing functions, recongizing the importance of

continuing quality improvement for the Group as a whole.

Accordingly, pursuant to the Nagase Group Product Safety Principles, formulated in October 2008, the Company is promoting the formulation of Groupwide rules regarding quality management and product quality assurance while providing its employees with educational programs. Through these activities, we are working to ensure the safety of the products handled throughout the Group.

In tandem with its growth as a business engaged in manufacturing, Nagase will increasingly be called upon to assume responsibility for quality assurance. To assist in this area, the Company established the Quality Assurance Support Team within the Intellectual Property Office in December 2010.

Specific Measures Taken for Individual Risks: Security Trade Controls

As a trading company specializing in chemicals and which also carries out export business activities, mainly of chemical products and plastics, Nagase has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. Furthermore, the Company has established a department-level Security Trade Control Office within the Logistics Management Division to specialize in export controls and act as the Security Trade Control Committee's secretariat.

In addition, meetings of the Security Trade Control Committee and the Trade Control Commission are convened once every two months.

At these meetings, the Security Trade Control Committee works to understand the export control situation, the latest revisions to the Foreign Exchange and Foreign Trade Control Law and to ascertain a detailed picture of export controls across the entire Group while formulating related Group policies. The Trade Control Commission disseminates matters determined at Security Trade Control Committee meetings to all business units and Group companies while providing instruction based on decisions made by the Security Trade Control Committee. Through these efforts, the risk of violating the laws associated with export controls is prevented.

Specific Management Framework

At Nagase, with regard to all products for export, the Compliance Program Procedural Administration System (CP-PAS) for goods and technology is employed to record data on export products and overseas customers. Furthermore, these activities are regulated by the Foreign Exchange and Foreign Trade Control Law and the United States' Export Administration Regulations (EAR), while the Sales Division and export control officers confirm whether or not permission to export is required. This system is designed to ensure that only those products approved by the Security Trade Control Office are available for export.

Moreover, going one step beyond mere adherence to the law, we define policies of the entire Nagase Group associated with security export controls that prohibit trade in products that are military-related items or that have military applications. We also make the Nagase Group fully aware of Group policies to prevent any exposure to security export control risks.

Efforts to Promote Personnel Development

Every year, the practical business of security trade controls becomes ever more complex. To keep pace with developments, the Nagase Group encourages its employees—primarily those involved in export operations—to become Security Trade Control (STC) Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC). As of March 31, 2012, 485 employees from a total of 20 companies, including Nagase and affiliates, had taken the exam. We continue to strive to foster personnel with a high level of knowledge and expertise.

Aiming to Raise Awareness of Security Trade Controls

At Nagase, internal security trade control training is provided to all employees, and the Human Resources & General Affairs Division offers various training opportunities such as orientation for new employees, personnel training according to level, and the implementation of other activities that educate and instill knowledge. In addition, we hold lectures for domestic subsidiaries and affiliates as well as overseas-based subsidiaries, with the entire Group participating. A total of 1,055 employees participated in training lectures during fiscal 2011.

*Risk Management
Compliance*

Specific Measures Taken for Individual Risks: Regulatory Compliance in Products

Because of a rising awareness of safety and security in the international community, and against the backdrop of increasing concern with regard to chemical substances, including those that are used in finished products, Nagase established the Item Compliance Committee. Focusing on

chemical management, this committee is underpinning a structure that appropriately responds to laws and regulations with regard to the entire Group's handling of chemical products.

Framework for Compliance with Chemical Laws and Regulations

Every time Nagase begins handling a new chemical, it conducts stringent investigations into the materials involved in the chemical's manufacture and related laws and regulations, while efficiently managing data compiled through such investigations using the above mentioned CP-PAS system. In this way, we are able to swiftly confirm which products contain regulated materials and ingredients and provide our customers with the information they require to confirm compliance with revised laws in Japan and abroad. To meet our own and customers' green procurement requirements, we rebranded our Green Procurement Guidelines (established in February 2007) as Green Procurement Management Regulations in November 2011, providing for the procurement/supply of appropriate goods after verification.

In addition, because we distribute information on the chemical substances contained in products along the supply chain, we endeavor to pass on accurate information by participating in the Joint Article Management Promotion-consortium (JAMP) and by using specialized tools for products containing chemical substances, such as MSDS Plus and AIS.

Strategic Approach to International Chemical Management (SAICM)

The action plan adopted at the 2002 World Summit on Sustainable

Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is accelerating the tightening and standardization of regulations concerning chemical management. Consequently, each nation is witnessing dynamic changes in applicable laws and regulations.

Also, the Registration, Evaluation, Assessment of Chemicals (REACH) regulations took effect in Europe in 2007. Following this, in 2009, China, South Korea, Taiwan and other countries bolstered their respective regulatory systems relating to chemical management. In such an environment, as a company promoting business worldwide, Nagase is providing support to its overseas subsidiaries in responding to these legal and regulatory developments.

These legal and regulatory developments naturally affect the finished products in which Nagase products are used. Therefore, it is important for the Nagase Group to offer its customers relevant information, and the Company works to ensure an accurate understanding of worldwide legal and regulatory trends with regard to chemical management. At the same time, with the aim of establishing a system to facilitate the global management of information related to the chemical products and chemical substances used in our products, we are providing product management education and guidance to our overseas counterparts.

Basic Compliance Policy

As a member of world society, the Nagase Group must maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of its employees. Nagase has developed and carries out the following basic compliance policy. Based on this corporate philosophy, Nagase has adopted and will implement the following Basic Compliance Policy.

This policy defines the behavior standards that Nagase and its officers and employees will observe as it carries out its various business activities. Officers and employees of Nagase must behave in accordance with these behavior standards and endeavor to disseminate them to those within the corporate organization, especially those with whom they work. If circumstances arise in which there is a risk that these behavior standards may be compromised, officers and employees must work to resolve problems without delay and improve operations by identifying the causes of problems and taking steps to prevent recurrences.

1 Compliance with laws, regulations and internal rules and regulations

- Corporate activities will be conducted fairly and in good faith, in accordance with laws and rules, and without any deviation from social standards.
- Business activities will be conducted in accordance with the rules of the international community to ensure the continuing growth and development of Nagase as a global enterprise.

2 Elimination of anti-social elements

Anti-social elements that threaten public order and safety will be met with firmness and resolutely eliminated.

3 Provision of goods and services that are useful to society

Nagase will contribute to society by supplying goods and services that are useful to society.

4 Respect for the qualities and individuality of employees

- Nagase will respect the autonomy and creativity of every employee and foster a corporate culture in which those qualities can be applied to corporate activities.
- Nagase will protect its employees' health, respect their human rights, treat them fairly and without discrimination, and secure and provide safe and enriching work environments.

5 Disclosure of information to stakeholders

Nagase will strive to ensure transparency by fairly and actively disclosing corporate information to stakeholders, including customers, suppliers, employees and shareholders.

6 Preserving the global environment

Nagase recognizes its responsibility to maintain the global environment in a better condition and will act in accordance with that responsibility.

Based on a governmental guideline (the Cabinet Office's Central Disaster Prevention Council determined that all large-scale companies and over 50% of medium-sized companies must set up a BCP by 2016), Nagase acquired the approval of its Risk and Compliance Committee to create a BCP for a model department in fiscal 2008 based on the assumption that a large-scale earthquake has occurred. Since fiscal 2009, the Company has continued to expand the plan to cover other departments, and by fiscal 2011 had entered the stage where continuous improvements were being made across all departments. For domestic Group companies, Nagase explained the outline and initiatives of the BCP in August 2009 and is exchanging information with one of the Group's core manufacturing companies, Nagase ChemteX Corp., with regard to adopting the BCP as a matter of course.

Fiscal 2011 Results

The Company has identified a number of deficiencies in its initial response on the day of the March 11 disaster in Japan, recognizing the need to make improvements. The Company has reviewed and made significant revisions to its annual disaster response training program, and conducted a joint mock disaster drill at all locations in November of the most recent fiscal year. Simulating an earthquake centered under Tokyo, the Company set up a disaster response headquarters, performing safety confirmation, business continuity planning execution, first aid for victims, and other duties by response teams according to simulated events occurring in the wake of the mock disaster. In performing this drill, the Company uncovered several new issues. The Company intends to conduct further high-quality trainings of this type in the future.



Fiscal 2012 Initiatives

Since fiscal 2008, the Company has continued with division business continuity planning activities, rolling these activities out in stages to other divisions. As of fiscal 2011, all Company divisions have started business continuity planning programs. The Company will continue to review and improve its business continuity planning (BCM) in fiscal 2012 and beyond, ensuring higher levels of practicability.



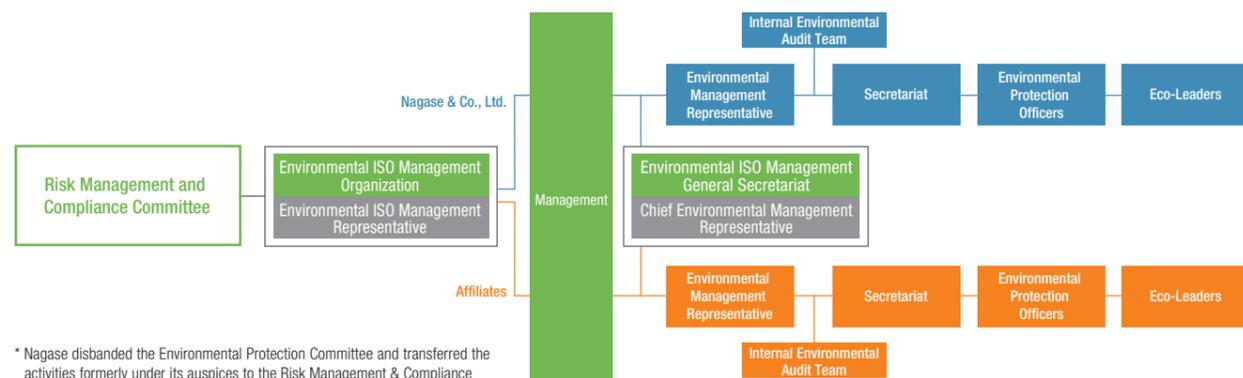
Nagase Group Environmental Management Structure

Nagase began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee, a role currently assumed by the Risk Management & Compliance Committee. Relatively earlier than other trading companies in Japan, Nagase obtained ISO 14001 certification for its environmental management system in April 2000 in response to societal demands. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifications and thereby expanded the scope of certification. Currently, five sales companies—Nagase-OG Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd., Nishinohon Nagase Co., Ltd.—conduct activities under the ISO management structure together with Nagase at its certified business establishments.

In addition, many Nagase Group manufacturing, processing, services, sales and other Group companies, having acquired certification independently, are conducting their own environmental activities.

We will continue with activities to improve the environmental management systems among certified Group companies.

Environmental Management Structure



* Nagase disbanded the Environmental Protection Committee and transferred the activities formerly under its auspices to the Risk Management & Compliance Committee on April 1, 2011.

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 the ecosystem 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, industry, and local communities to promote environmental conservation measures that are suitable for the Nagase Group.
- 4 **Establish and continually improve an environmental management system**
We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continuously make improvements to this system by setting concrete goals and working to fulfill them.
- 5 **Disclose and make the relevant parties fully aware of our Environmental Policy**
We will disclose the Policy to the public and make all who work for the Nagase Group fully aware of its contents.

Environmental Management Activities

Nagase bases its environmental management activities on daily operations. Specific activities include the creation and expansion of eco-businesses and the enhancement of operational efficiency. The Company is strengthening its existing eco-businesses with new businesses in the energy field, placing extra focus on photovoltaic (PV) generation and energy-storage devices. Under our new three-year plan **Change-S2014**, Nagase will emphasize creating and expanding environmental and energy technology. By promoting information sharing and complementing functions among its departments and business groups, the Company will further reinforce the business structure required for the efficient and flexible provision of products and services that contribute to the realization of a sustainable, recycling-oriented and low-carbon society.

In addition, Nagase is promoting activities aimed at reducing the environmental impact of its business operations. Still, we believe that we can reduce the environmental impact of our business activities by, for example, improving the efficiency of our logistics operations. Acting on this belief, we developed the Nagase Energy Calculation Online (NECO) System, which enables the automatic calculation of domestic cargo transport volume using distribution receipt data managed by our sales control system, bringing it on line in August 2008. This system makes it possible not only to calculate our annual cargo transport volume and CO₂ emissions but to analyze transport routes for optimization, which also helps reduce our CO₂ emissions. In such ways, the Nagase Group is striving to reduce energy consumption in its logistics operations, thereby contributing to the prevention of global warming.

The Nagase Group takes advantage of its trading company functions to uncover environmentally friendly products, offer feedback on market trends to suppliers, and propose new or alternative uses. The Company supports the environment and energy business through products, services, technology, and information.

1

Electronic Chemicals Business



2

Nagase Enters Organic Fertilizer Business



3

Smart Grid Business



1 Electronic Chemicals Business

Nagase currently manufactures and sells a chemical management system (CMS) to control the concentration of chemicals used in the manufacture of semiconductors and liquid crystal displays (LCDs) in order to make the process more stable. Moreover, the Company reuses chemicals. The waste solvent recovery system contributes to zero emissions by collecting and processing waste solvents that individual companies have difficulty reducing, and reusing them as raw materials for different industries.

Applying the entire range of its technologies, expertise and experience in the electronic chemicals business, the Nagase Group also completed a plant, which manufactures, supplies and recycles chemicals used in LCD panel manufacturing processes, within Sharp's "Green Front Sakai," and this facility commenced operations in October 2009. Utilizing the CMS and Nagase ChemteX Corp.'s chemical recycling technologies, this on-site plant recycles developer, stripping agents and other chemicals. Concentrating the Nagase Group's long-accumulated technologies at this recycling-oriented plant will enable major reductions in the use of chemicals and raw materials as well as significant environmental contributions.



Chemical Recycling Plant within Sharp's "Green Front Sakai"



Developer Control Equipment



Developer Dilution Supply Equipment



Precision Filtration Equipment

2 Nagase Enters Organic Fertilizer Business

Kawai Hiryo manufactures organic fertilizers, including Bokashi fertilizers, and agricultural chemicals and materials, and supplies these products to professional agricultural producers nationwide. Bokashi fertilizers feature (1) easier breakdown in soil and (2) easier plant absorption of components in the fertilizer. This is accomplished by obtaining limited food residues and other organic raw materials, turning them into high-value-added fertilizer through fermentation and aging.

During fiscal 2011, Kawai Hiryo began selling Akitsushima, a high-activity Bokashi fertilizer using free-range chicken as the main raw material. The Company also entered into a business tie-up with Radishbo-ya Co., Ltd., a major organic agricultural retailer expanding its presence in major urban markets. Under this agreement, the two companies are supplying Radishbo-ya-affiliated producers with a jointly developed fertilizer. Kawai will continue initiatives to supply safe, high-quality agricultural goods to consumers at the lowest prices possible.

Another major Kawai business is in the growing/sales of tomatoes and other premium agricultural goods. Here, the company works in cooperation with affiliate Uma Yasai Farm to expand the Uma Yasai brand products based on proprietary cultivation technologies. This venture is designed to expand production of agricultural goods using the Kawai fertilizers.

Going forward, Kawai will integrate with the Nagase Group bio technologies, actively developing fertilizers and agricultural materials, engaging in agricultural pursuits through proprietary means, and establishing a new generation of high-value-added businesses.



3 Smart Grid Business

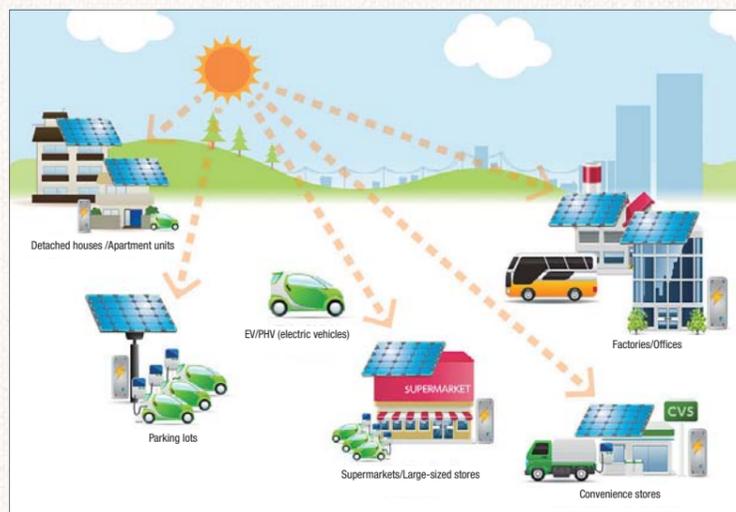
The Nagase Group is expanding its businesses in the area of supply chains for lithium ion batteries, notable for their use as storage devices primarily in automobiles, laptop computers and mobile phones. Against this backdrop, CAPTEX Co., Ltd., a wholly owned Nagase subsidiary, is concentrating on the manufacture and development of lithium ion battery control modules.

Amid demand for high-efficiency, long-lasting and safe batteries, control modules are a necessary component of technology to regulate battery-related data. Leveraging CAPTEX's highly effective control technology and expertise in the area of remote battery data management, we are designing and developing control circuitry as well as promoting secondary battery packs.

We are gaining the support of numerous customers owing to the provision of one-stop services in the following areas: (1) Battery system overview (dimensions and voltage); (2) Project proposals (concept, structural and controller design); (3) Specification reviews (sample creation: design, casing, battery power source, electrical discharge control, transmission; evaluation: electrical discharge, heat, vibration testing); (4) Verification (Benchmarks and monitor evaluation); (5) Mass production.

With the construction of a high-volume production plant* in Okazaki City, Aichi Prefecture, which completed in April 2012, we will expand applications of lithium ion battery control modules beyond automotives to smart grids oriented to residential, office, commercial facility, factory and other uses.

*Land area: approx. 23,000m², floor area: approx. 5,000m² (2 stories, completed: April 11, 2012)



- Raw Materials**
 - Rare Metals, Lithium, Cobalt
 - Nickel, Manganese, Other
- Cell Materials**
 - Positive Electrode Materials
 - Negative Electrode Materials, Electrolytes, Separators, Spacers, Binders, Casings
- Cells**
 - Cell (18650, 26650, laminates)
- Pack Controllers**
 - Packaging (modules, banks)
 - Controllers (protection, recharge/discharge control, adjustment control)
- Systems**
 - Load, Upper ECU, Structure (for commercial use)
- Products**
 - Vehicles (EV, PHEV, ISS)
 - Fixed Installations (BEMS, HEMS, rechargers)

Activities Undertaken by Nagase ChemteX

Nagase ChemteX Corp., a core manufacturing subsidiary of the Nagase Group, promoted energy conservation activities by developing an energy-saving framework at all its facilities in accordance with the revised Act on the Rational Use of Energy. Nagase ChemteX is also working to reduce greenhouse gases. To this end, Nagase ChemteX has undertaken the following key energy-conservation measures: formulated and monitored energy conservation targets at each department based on the efforts of all employees; established a system to improve energy conservation-related proposals; and improved capital investment activities undertaken by Energy Conservation Committee staff members.

In addition, Nagase ChemteX decreased greenhouse gas emissions by upgrading to high-efficiency boilers and switching from heavy oil to liquid natural gas in January 2009. Through these actions, Nagase ChemteX was designated as a greenhouse gas emission-reducing business under the Japanese government's Domestic Carbon Credit System in March 2011.



Together with efforts to reduce its environmental impact, Nagase & Co., Ltd., the core company of the Nagase Group, intends to "develop businesses that give full consideration to environmental issues" as one important element of its environmental policy. Nagase contributes to reducing environmental burden through the discovery and development at Group manufacturing companies of environment-oriented products and materials that are vital to society.

In line with revisions made to the Act on the Rational Use of Energy, Nagase has been designated as a "specified corporation" by the Bureau of Economy, Trade and Industry since its energy usage exceeds fixed levels. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulated medium- and long-term energy reduction plans, and submitted regular reports to the Bureau of Economy, Trade and Industry. In fiscal 2011, to deal with electricity usage restrictions this fiscal year due to the impact of the March 11 disaster, we reduced the amount of lighting used in all facilities, adjusted HVAC controls, and reduced electricity usage during peak times.

Beginning with fiscal 2010 we tested LED lighting in our Tokyo headquarters building. In fiscal 2012, we adopted LED lights throughout the Tokyo building. Next year, we will introduce LED lighting in our new building.



Social Contribution Activities

Contributing to Growth of Scientific Technology

Nagase has a long history of developing enzymes and technologies for organic compounds for use not only in the chemical industry but for a wide range of applications in various industries, including pharmaceuticals. Through its business operations, the Company has come to understand the importance of basic research in biochemistry and organic chemistry. In line with this realization, we established the Nagase Science and Technology Foundation in 1989 with the aim of supporting research and development, as well as international exchange, in fields including biochemistry and organic chemistry, promoting advances in scientific technology and ultimately promoting

socioeconomic development.

Current Contributions include research grants to researchers, etc. To date, the foundation has awarded a cumulative 374 research grants and 178 international exchange fellowships (discontinued in fiscal 2004), the sum of which totals approximately ¥980 million. Beginning anew as a charitable organization on April 1, 2011, Nagase Science and Technology Foundation began providing research grants accompanying the bestowing of the Nagase Research Promotion Award.

Research Grants Provided in Fiscal 2012

Name	Organization	Title	Subject matter
Biochemistry			
Kunio Inoue	Graduate School of Science, Kobe University	Professor	Regulation of alternative splicing in response to environmental stress
Shoko Ueki	Institute of Plant Science and Resources Okayama University	Assistant Professor	Characterization of Heterosigma akashiwo, a harmful bloom-forming phytoplankton at molecular level. For utilization of the marine organism as a efficient bioreactor
Masayuki Endo	Institute for Integrated Cell-Material Sciences Kyoto University	Associate Professor	Direct observation of enzymatic reactions in the designed nanoscale space and investigation of the reaction mechanism
Fumitaka Kudo	Graduate School of Science and Engineering Department of Chemistry, Tokyo Institute of Technology	Associate Professor	Biosynthetic studies and application of hybrid polyketide antibiotics produced by Actinomycetes
Hideaki Takano	Department of Applied Biological Science College of Bioresource Sciences, Nihon University	Assistant Professor	Biochemical and structural study of a novel photoreceptor-type transcriptional regulator
Takanori Tanino	Graduate School of Engineering, Gunma University	Assistant Professor	Co-production of electricity and useful material (vinegar) by fermentation using microbial fuel cell technology
Shingo Nagano	Department of Chemistry and Biotechnology Graduate School of Engineering, Tottori University	Professor	Biosynthesis mechanism to produce diverse structures of indole alkaloids
Atsushi Matsuzawa	Graduate School of Pharmaceutical Sciences The University of Tokyo	Associate Professor	Elucidation of regulatory system sensing and responding to altered concentration of reactive oxygen species
Katsuhide Miyake	Research Institute for Bioresources and Biotechnology Ishikawa Prefectural University	Professor	Development of culture methods for yet-uncultivated microbes using quorum sensing system and biofilm formation
Keitaro Yoshimoto	Department of Life Sciences, Graduate School of Arts and Sciences, The University of Tokyo	Associate Professor	Three-dimensional co-culture system for adipose derived stem cells and its application for high performance drug screening
Organic chemistry			
Seiji Suga	Graduate School of Natural Science and Technology Okayama University	Professor	Development of Redox-Responsive Organocatalyst
Katsuhiko Tomooka	Institute for Materials Chemistry and Engineering Kyushu University	Professor	Synthesis and Application of Multi-functionalized Planar Chiral Cyclic Molecules
Takanori Fukushima	Chemical Resources Laboratory, Tokyo Institute of Technology	Professor	Precision Design of Nanoscale Organic Heterojunctions for Optoelectronic Applications
Atsunori Mori	Graduate School of Engineering, Kobe University	Professor	Synthetic studies on well-defined oligothiophenes by CH coupling
Makoto Yamashita	Department of Applied Chemistry, Faculty of Science and Engineering, Chuo University	Associate Professor	Development of methodology for fabrication of organic devices using coal-pitch without organic synthetic chemistry
Biochemistry/Organic chemistry			
Takayoshi Suzuki	Professor, Graduate School of Medical Science, Kyoto Prefectural University of Medicine	Professor	Explorative study on enzyme inhibitors by copper-mediated in situ click chemistry
Hidehito Mukai	Graduate School of Bio-Science Nagahama Institute of Bio-Science and Technology	Associate Professor	Identification of cryptides, functional cryptic peptides hidden in protein structures, and investigation of their novel signaling mechanisms
Kenichi Yamada	Faculty of Pharmaceutical Sciences, Kyushu University	Associate Professor	Development of fluorescence detection method for in vivo lipid-derived radical and drug deployment

Active Contributions to Society

At the Nagase Group, one element of our environmental policy is to fulfill our responsibilities as a good corporate citizen. This is demonstrated by collaboration, sponsorship and other support, as well as participation in external organizations that implement environmental preservation activities. In addition to taking part in the Nippon Keidanren

Committee on Nature Conservation, the Japan Foreign Trade Council's Global Environment Committee and other organizations, Nagase proactively takes action that contributes to local communities.

TABLE FOR TWO Initiative

In October 2008, Nagase Tokyo Head Office participated in the TABLE FOR TWO (TFT) program operated by the NPO organization TABLE FOR TWO International as part of its employee-participatory social contribution activities. The Osaka Head Office also took part in the TFT program in January 2009. TFT was launched to reduce the incidence of lifestyle-related diseases caused by overeating and obesity in advanced countries including Japan, while extending food assistance to developing countries where people suffer from the shortage of food.

Every time a TFT healthy meal—a meal that includes an ample portion of vegetables—is bought at our employee dining halls, the employee who makes the purchase and the Company each donate 10 yen to the TFT office. This buys one highly nutritious school meal for a child in the developing world. The total number of meals donated was 45,736 as of February 2012.

As there is no employee dining hall in the Nagoya branch office, the facility participates in TFT



activities via vending machines. Purchasing beverages at special vending machines results in a contribution of percentage of the sale. The Osaka branch has also installed TFT vending machines, making more opportunities available for social contributions outside the employee dining hall.

Fostering Communication with the Local Community

The Nihonbashi Bridge 100th Anniversary was held on October 31, 2011 in observation of the 100th anniversary of the replacement of the stone double arch bridge originally built during the Edo Shogunate period. The local town council and long-time local businesses worked together to organize a major parade.

Eleven employees from Nagase and Group companies participated in the parade in traditional *happi* costume together with the local Kobunacho town council. Group employees working in the Kobunacho district value the relationships they have forged with members of the local community and will continue to do their utmost to preserve the unique history and traditions of the area.



Together with Our Employees (Diversity, Work-Life Balance and Human Resource Development)

As part of its promotion of global business operations, the Group considers it important to create new value for its companies by utilizing diverse human resources and providing comfortable work environments where each Group employee can demonstrate his or her abilities to the fullest.

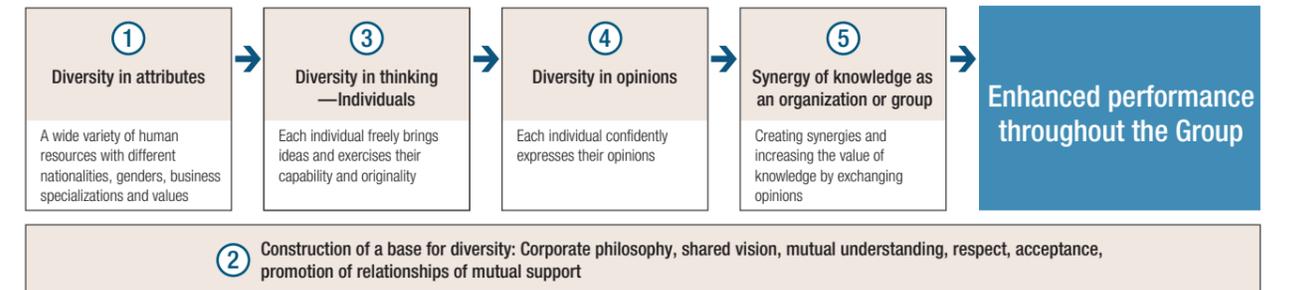
Recognizing the need for a long-term plan to achieve this goal, we launched the diversity committee in 2008, continuing to roll out initiatives since that time.

Basic Stance on Diversity

The Nagase Group currently employs a diverse range of workers who differ in terms of gender, nationality, age, values and lifestyles. The Group considers that the development of corporate culture will lead to the creation of new businesses as well as the improvement of business performance throughout the Group. These objectives involve the development

of a corporate culture in which a diverse range of workers can share ideas, build shared acceptance through mutual understanding and help each other perform tasks while working vigorously and generating new synergies by exchanging values. Accordingly, the Nagase Group positions diversity as one of its important corporate strategies.

Objectives to Achieve through the Promotion of Employee Diversity



Diversity Initiatives

Nagase commenced the promotion of employee diversity in fiscal 2008 with the establishment of the Diversity Promotion Committee. Based on the belief that the promotion of diversity should be addressed by all employees over the medium to long term, the Group first conducted an employees' awareness survey and meetings on their ideas about diversity. Based on the survey and feedback, the Group held a number of discussions to define diversity, devise themes for diversity promotion and lay out specific measures for the next three years. After these processes, the Group announced details of a promotional campaign in May 2009 and began to educate employees. In addition, Nagase held diversity briefing sessions for managers in February 2010, holding diversity lectures, training new hires, and sponsoring management workshops ever since to further spread this concept within the Group.

Furthermore, the Company is requiring each department to establish a diversity action plan and to carry out such a plan at each site. In addition to these efforts, the Company engaged in the four initiatives listed here during fiscal 2011.

- ① Every internal newsletter beginning fiscal 2011 includes a message from the department GM about diversity initiatives
- ② Training programs for overseas national staff (31 employees participated in 2011)
- ③ Conducted a companywide diversity survey in November; analyzed results; created specific initiatives to implement over the next three years between 2012 and 2014.
- ④ Continued employment of female career-track employees (4 out of 16 new employees in fiscal 2010, 4 out of 28 employees in fiscal 2011 and 4 out of 31 employees in fiscal 2012) and facilitated discussions between superiors and individuals; sponsored mixers/meetings and other follow-up activities

Themes for Diversity Promotion

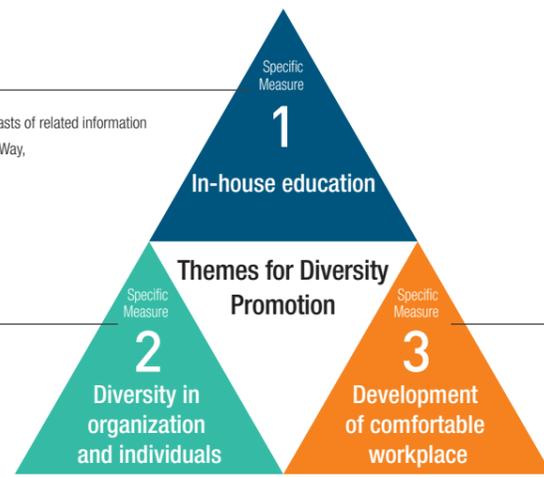
1. Sharing corporate philosophy and vision
2. Enhancement of transparency
3. Reinforcing relationships of friendly competition
4. Encouraging a breakthrough to the current situation
5. Eliminating a mindset that leads to gender bias
6. Creating a work environment in which employees feel free to utilize the in-house benefit system

In-house education

- ① Periodic messages from top management · Broadcasts of related information
- ② Instill deeply into Management Philosophy, Nagase Way, Direction, Current Conditions

Diversity in organization and individuals

- ③ Improve global communications
- ④ Support for employees' career development
- ⑤ Continue employing non-Japanese, women for managerial positions; improve culture



Development of comfortable workplace

- ⑥ Instill awareness and activate initiatives for continuity and productivity improvements
- ⑦ Support employees who are dealing with home care or other challenges

Basic Stance on Work-Life Balance

Striking a balance between work and life is indispensable to the promotion of employee diversity. Therefore, the Group maintains a comfortable workplaces for employees with diverse characteristics to realize a good work-life balance. Nagase believes a good balance between work

and life will bring benefits to both the Company and employees, and thus strives to raise awareness in house and develop work-life balance-related systems.

Work-Life Balance Initiatives

During January and February 2009, Nagase invited Tsuneo Sasaki and Yoshie Komuro to give work-life balance lectures, promoting this concept throughout the Company. Subsequently, we introduced the "armo" program to assist employees taking child care leave and to help them eventually return to work. The Company adopted a no-overtime day (every second and third Wednesday of the month), and expanded eligibility for and awareness of childcare leave, allowing male employees to take advantage of childcare leave. Receiving recognition for such efforts, Nagase has been accredited as a general business owner compliant with the Next Generation Nurturing Support Measures Promotion Law issued by the Osaka Labor Bureau in Chuo-ku, Osaka, as of May 21, 2010, and acquired the "KURUMIN" next-generation accreditation mark.

During fiscal 2011, the Company focused on caregiving support, became a corporate member of the NPO Seacare in June and provided a system for employees to perform caregiving if such becomes necessary. The Company sponsored seminars related to caregiving in October and the following March, which were attended by a large number of employees.

In March, the Company worked with the labor union to conduct a caregiving survey of all employees as one tool to help the Company provide caregiving support meeting employee needs.

Nagase will make continuing efforts to enhance work-life balance to achieve even more comfortable work environments.



Policy Regarding Development Human Resources

In addition to promoting a culture of "on-the-job training," the Nagase Group has put into place a training system for employees through out their careers.

Cultivate a Corporate Culture of "On-the-Job Training"

Nagase uses on-the-job training to cultivate a culture of "on-the-job training," including new-hire mentoring and overseas training. Moreover, we are offering support to motivated employees by providing a selection of training programs for those individuals who have a personal interest in increasing their knowledge.

Establish a Training Program that Emphasizes "Systematic Training"

We have established a wide range of training programs that include training according to rank (mandatory), as well as training by job description/issues, special issues training, overseas training, training for overseas national staff, and more. Through these efforts, we are taking systematic steps to nurture the next generation of employees who will lead the Nagase Group in the years ahead.

The Next-Generation Leadership Program for Overseas National Staff

As an elective program within its overall training system that the Group is making the utmost effort in developing, the Next-Generation Leadership Program for Overseas National Staff is being systemized based on the Basic Management Program (BMP) for managerial candidates, the General Management Program (GMP) for general managerial candidates and the Nagase Management Program (NMP) for potential executives. In the latter, for example, five overseas local staff members were among the approximately 15 participants who were divided into teams in order to make proposals to management completely in English intended to help solve Group management issues. Such initiatives are significantly contributing to the development of the business leaders.

Number of Participants at Main Training Programs

Training Program	Fiscal 2011 Results
Rank-specific	486 persons
Elective	15 persons
Overseas	5 persons
The Business Leadership Program for Overseas National Staff	29 persons

	Department		Manager	
	Senior Manager	Leader	Senior Manager	Leader
Rank-specific training (required)			<ul style="list-style-type: none"> Manager Training Management-oriented business courses Leadership training 	<ul style="list-style-type: none"> Core/skill training Follow-up programs for new employees Core businesses courses On-the-job training Introductory training for new employees
Position/Achievement-specific training	<ul style="list-style-type: none"> MDP (Management Development Program) Executive training Newly appointed manager training (understanding and performing evaluations) Newly appointed manager training/local staff training (personnel management) Goal-setting workshop for newly appointed managers 	<ul style="list-style-type: none"> Pre-assignment training Supervisor training Goal-setting lectures and workshops for newly appointed senior managers 		
Career/Special/Partial Research Positions			<ul style="list-style-type: none"> Harvard Business School AMP INSEAD Management Acceleration Programme (Planned) Foster Global Strategy and Leadership (Planned) 	<ul style="list-style-type: none"> Middle Management Program (Globis) Inter-Industry Interchange Asia Business School
Elective training	<ul style="list-style-type: none"> Executive (Globis) Management Program Executive Management Strategy Seminar (Nomura) 	<ul style="list-style-type: none"> Keio Business School Middle-Management Seminar NMP Nomura/Wharton Finance Seminar 		
Overseas training			<ul style="list-style-type: none"> Chinese language overseas study courses Business school overseas study courses Business management courses 	<ul style="list-style-type: none"> Business English short-term overseas study courses
Other	<ul style="list-style-type: none"> Elective training (12 courses including English, computer skills, MBA and Chinese) 			
Managerial Positions			<ul style="list-style-type: none"> Specific activity training (Select) Specific activity training (Promotion) Supervisor training 	<ul style="list-style-type: none"> Clerical position business skills training New employee follow-up Office systems training for new employees Introductory training for new employees
For overseas companies	<ul style="list-style-type: none"> NMP 	<ul style="list-style-type: none"> GMP (General Management Program) 	<ul style="list-style-type: none"> BMP (Basic Management Program) 	

Number of Employees by Gender



Number of Career-track Employees Hired among New Graduates

