

# **NAGASE GROUP CODE OF CONDUCT**

**NAGASE & CO., LTD.**  
**Risk Management & Compliance Committee**

October 2012

## Revised Code of Conduct

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Representative Director, President & CEO  
NAGASE & CO., LTD.

Over the course of many years, Nagase & Co. has held the belief that we should *maintain good and fair business practices as a member of society*. We believe that obeying the law and other rules is very important. As we become an even more global company, our business activities become more diverse, and societies across the world are holding us to higher levels of corporate social responsibility. Accordingly, we created the Nagase Group Code of Conduct in December 2003, requiring compliance among all of our domestic and international employees and managers. Over the nine years since, we have seen a number of major changes to economies that have affected our business. The borderless world has led to laws and regulations that have become more complex and strict, and companies that operate across national borders are held to even higher standards of social responsibility. In 2008 we created the Nagase Group Product Safety Principles to address the unique nature of our business and growth. We have reviewed our Code of Conduct, and we have decided to revise it to better reflect the times and conditions in the world.

While we expect our companies and employees to follow the letter of our Code of Conduct in the course of their duties, we do not want them to see this as limiting framework. Rather, we want to help our employees learn and respect the idea of compliance as responsible individuals. Our stakeholders and business partners will trust us more as they see that our actions match our words. They will believe in us when they see that we take steps quickly to discover, correct, and improve—to keep our own house in order should any issues surface. Trust and reliability are important assets to our business. It is our day-to-day activities that will make these assets more valuable over time.

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## **Basic Compliance Policy**

As a member of the world society, we believe our duty is 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. These beliefs are at the core of the Nagase Basic Compliance Policy which follows.

This policy defines the behavior standards that Nagase and its officers and employees will observe as they carry out their work.

We require our officers and employees to comply with these standards and team them to others by example—particularly to co-workers. Any danger of non-compliance must be addressed without delay, and officers or employees should identify the root cause of the issue, taking steps to prevent any recurrence.

1. Comply with applicable laws and regulations; conform to internal rules
  - Conduct business fairly and in good faith, in keeping with laws, company rules and social norms.
  - Conduct work in keeping with internationally accepted norms to ensure our growth as a global enterprise
2. Eliminate anti-social elements
  - We firmly reject any anti-social elements that threaten the public order and safety.
3. Provide useful products and services
  - Contribute to society through useful goods and services.
4. Respect employee talents and individuality
  - We foster a culture in which employees can contribute with their talents and creativity.
  - We will protect employee health, respect their basic rights, and treat them fairly and without discrimination. We will provide a safe and enriching work environment for our employees.
5. Disclose information
  - We will ensure management transparency by fairly disclosing corporate information to our stakeholders, including our customers, suppliers, employees, and shareholders.
6. Protect the global environment
  - We recognize and perform on our responsibility to improve the environment.

October 1, 2002  
Hiroshi Nagase, President  
NAGASE & CO., LTD.

## **NAGASE GROUP CODE OF CONDUCT**

This Basic Compliance Policy was created on November 7, 2003 and revised on October 1, 2012. This Code of Conduct defines standards governing the conduct of all Nagase Group companies. This Code is based on the Nagase Basic Compliance Policies. All Nagase Group officers and employees should refer to this Code in the course of executing their work duties.

Being ethical and faithful are the most important factors leading to compliance. Our officers and employees must make decisions considering the following points, which support Nagase in our mission to provide useful products and services to society. These points will help us perform *activities set on the right track with integrity*.

- 1) Comply with applicable laws and regulations; conform to internal rules
- 2) Avoid conflicts of interest or self-dealing
- 3) Do not abuse authority
- 4) Exercise reasonable judgment after collecting adequate information
- 5) Act in the best interests of the Nagase Group

If you discover a violation (or potential violation) of the Code of Conduct above, promptly report such to your superior or to the relevant section. You may also contact the Compliance Help Desk if no other routes for reporting are available.

### **1. Comply with Applicable Laws and Regulations; Conform to Internal Rules**

#### **(1) Compliance with Laws and Regulations**

The Nagase Group complies with all applicable laws and regulations of the regions in which it operates. We conduct our corporate activities based on ethics and the good common sense of society. There are a variety of laws and regulations; some set forth the responsibilities based on approvals or licenses to engage in specific businesses, while others set forth the responsibilities of a company as a member of society. Although we cannot discuss every law and regulation here, we want every officer and employee to understand that a serious violation could lead directly to risks affecting the survival of the company. We ask all to make sincere efforts to comply with laws and regulations that are relevant to his/her work duties.

When compliance is in doubt, please refer to the Nagase Group section in charge. You may also refer to an outside specialist or organization to inform your decision-making.

#### **1) Compliance with Laws and Regulations related to Products and Services**

The Nagase Group works with many materials and services, including those requiring careful or special handling under the local law. We must always comply with local laws in handling such materials or services. Officers and employees must be aware of, and enforce, compliance with local laws, as well as with company rules.

Businesses subject to regulations are as follows:

Poisonous materials import and general sales; the Pharmaceutical Affairs Law, manufacture (including packaging, labeling, storage) of pharmaceuticals, wholesale/sales of pharmaceuticals, manufacture (packaging, labeling, storage) of veterinary medicines, wholesale/sales of veterinary medicines, manufacture/sales of cosmetics, manufacture/sales of quasi-pharmaceuticals; construction; real estate; sales of commodities investments; agrochemical sales; fertilizer sales and import; transport; warehousing; money lending; alcohol production, import and sales; antique dealing; installment sales; door-to-door sales, etc.

Certain qualifications, licenses, safety standards, quality standards, labeling methods, document filings, periodic reports, transaction record filings, or other requirements may be necessary, depending on the transaction type, product or service:

Chemical Substances Control Law, Food Sanitation Law, JAS Law, Consumer Product Safety Act, Electrical Appliance and Material Safety Law, Household Goods Labeling Law, Waste Management Law, High Pressure Gas Safety Law, PRTR Law, Industrial Safety and Health Law, Fire Defense Law, Radiation Hazards Prevention Law, etc.

## **2) Compliance with Trade Laws**

As we deal widely in foreign trade, violating import/export regulations might lead to an order of suspension that could threaten the survival of the company. Any violation is a serious matter. You must carry out your duties in compliance with local law and company rules.

Export transactions are regulated by export trade laws of Japan, the United States and other countries. When a Nagase Group company is to export or otherwise offer its product, service or technology outside the country, it must obtain approvals or licenses from the concerned governments as required. Application of export trade laws is not limited to the export of manufactured products (goods). Offering technology via the Internet and personal knowledge (technical assistance) overseas is also subject to export trade controls in Japan and other countries. This law also applies to providing such to non-residents in Japan. Exporting goods, services or technology without the necessary approval or license constitutes violation of the law in many countries.

Similarly, applicable import laws must be obeyed when conducting import transactions. Many countries have established import trade laws, the violation of which could result in fines or imprisonment.

## **3) Compliance with Fair Competition Laws and Regulations**

Many countries have fair trade laws to protect consumer interests and to ensure sound growth of their national economies. Monopolies or cartels are prohibited, and any company found in violation is subject to severe punishment and heavy fines. Such penalties could irreversibly damage the offending company. In many jurisdictions, violations of the fair trade laws can result in personal fines and/or imprisonment for company managers.

The Nagase Group obeys fair trade laws in the respective countries in which we do business. The following are just a few examples of behavior that should be avoided:

- Never attend any meetings among competitors (including trade organizations) during which price issues will be discussed.

- Never be party to an arrangement or agreement, written or verbal, concerning fixing prices, sales terms, profit margins, market share, market divisions, or bidding.
- Never engage in any trade practice that constitutes resale price maintenance or restriction.
- Never abuse the dominant bargaining position or sign an agreement containing unfair terms or conditions of trade.
- Be aware that some countries restrict price discrimination on sales to third parties; and make sure that your sales practices conform to those laws.

The Japanese government revised the Antimonopoly Act once in 2005 and again in 2009. The 2005 revision increased the surcharge rate and added stricter measures against violations of the law. The 2009 revision added even heavier penalties in response to violations.

The 2005 and 2009 revisions to the Antimonopoly Act focused mainly on fines and unlawful conduct:

- 1) Revised surcharge system
  - Increased surcharge rate (2005)
  - Expanded categories of acts considered to be violations (2009)
  - Increased surcharges for leading violators (2009)
- 2) Surcharge leniency, introduced/expanded
  - Surcharge reduced or waived if violation self-reported prior to the launch of a Fair Trade Commission investigation (surcharge leniency) (2005)
  - New rules to handle expansion in the number /joint filings of leniency filings (2009)
- 3) Increase in prison terms for illegal transactions
- 4) Revised regulation on business combination

#### **4) Compliance with Insider Trading Laws**

In the course of your duties, you may obtain information about Nagase Group or a third party that has not been disclosed to the public. Using such information for personal financial gain or other benefit is not only unethical, it is against the law in many countries. Such “insider trading” may be punished by a heavy fines and/or imprisonment. Inside information is defined as information not disclosed to the general public that ordinary investors would consider in making a decision to sell, buy or hold stock or other marketable securities.

Please refer to the following specific examples of the misuse of inside information:

- Information about Nagase Group that might affect the share price of NAGASE & CO., LTD. Do not buy or sell NAGASE & CO., LTD. shares until after the public release of such information.
- Information that the Nagase Group is considering a new business partnership or a new product. Such information might affect the share price of other companies (the other party in a business partnership). Do not buy or sell the shares of any companies involved until after the public release of such information.
- Information that could affect the share price of any supplier or business partner. Do not buy or sell the shares of that company until after the release of such information.
- Any share purchases using inside information made in the name of a relative or through another party is also not allowed.
- When inside information is to be given to officers or employees within the Nagase Group, such information must be limited to only those individuals with a need to know. Inside information to be conveyed externally must likewise be limited to only those individuals with a need to know, such as a contact at a business partner.

## **(2) Healthy and Sound Relationship with Business Counterparties and Public Administration**

Nagase Group prohibits the offering and receiving of unjustifiable profits in the course of commercial transactions. Officers and employees are advised to make correct judgments and behave sensibly so as to prevent any misunderstanding by the general public, or criticism that would discredit the company.

### **1) Relationship with Business Partners**

- Do not offer payments, gifts, entertainment or any other economic benefit beyond the socially acceptable level to officers or employees of business partners. Similarly, do not accept any economic benefit beyond the socially acceptable level from officers or employees of business partners.
- Any sales incentive or award must be offered according to company rules.
- Suppliers must be selected according to rational criteria such as price, quality, delivery time, attitude toward global environment issues, etc.
- Do not grant a favor to business partners or competitors for your personal gain.
- The purchase or acceptance of securities (including stock, stock options, etc.) from non-publicly traded business partners could violate laws concerning unjust enrichment. Always report your intent to purchase or receive such securities to the company, as the matter may be subject to company judgment.

### **2) Relation with Public Officials**

No benefit such as gifts or payments may be given to public officials (including foreign national governments and local municipalities) or the equivalent for the purpose (or apparent purpose) of seeking favorable arrangements or actions related to their duties. Similarly, no promise or offer of such benefit may be made to such officials.

In many countries, the law prohibits offering gifts or payments to public officials or the equivalent.

The Unfair Competition Prevention Law prohibits bribery (providing, offering or promising monetary or other benefits) of foreign public officials in order to gain an unfair business advantage. This applies to bribes made not only in Japan but also outside Japan, and to bribes made indirectly using subsidiaries, agents or others. Violators are subject to criminal penalties (up to five years of imprisonment and/or a fine of up to five million yen for individuals, and a fine of up to 300 million yen for corporations).

However, the Organisation for Economic Co-operation and Development (OECD) Convention on Combating the Bribery of Foreign Public Officials in International Business Transactions (which is the basis of this law) does not outlaw small facilitation payments intended to speed procedures in international commercial transactions, as they do not constitute payments made “to obtain or retain commercial transactions or other improper advantage.”

Based on the intent of the OECD Convention, the Unfair Competition Prevention Law can also be read as not considering these as payments made to obtain an “unfair business advantage.”

However, the Unfair Competition Prevention Law contains no article specifically mentioning



small facilitation payments, and no action is exempt from penalties on the grounds that it constitutes a “small facilitation payment.” An essential condition for charges of bribery of a foreign public official under the Unfair Competition Prevention Law is that the action is intended to “obtain an unfair business advantage in international commercial transactions.” Therefore, specific individual cases that do not meet this condition will not be considered offenses; however, having the nature of a “small facilitation payment” does not automatically mean that the case lacks this condition or that it will not be subject to conviction.

Small facilitation payments are not recommended, but in the event that such payments are unavoidable, please take steps to ensure transparency, such as clearly accounting for the payment and keeping a record of the details. Payments made with the intent of bribery are illegal regardless of the amount.

**Concrete Examples of “Unfair Business Advantage” (Ministry of Economy, Trade and Industry, Guidelines for Preventing Bribery of Foreign Public Officials, January 29, 2007)**

1. Providing a benefit to a health and welfare ministry official of Country A with the intention of finding out the minimum bid price, which is not released in advance, in order to win a bid for a national hospital construction project in Country A:  
→ This constitutes provision of benefits to obtain an “unfair business advantage.”
2. Providing a benefit to an official of an inspection agency of Country B to obtain permission for equipment installation in a chemical plant built in Country B that does not actually meet environmental standards:  
→ This constitutes provision of benefits to obtain an “unfair business advantage.”
3. Providing a benefit to a customs official of Country C in order to have customs duties on the import of construction materials improperly reduced in Country C:  
→ This constitutes provision of benefits to obtain an “unfair business advantage.”  
On the other hand, if a small payment is made in order to have the procedure for tax reimbursement duly performed (a small facilitation payment) because there is no sign of the procedure being commenced even though it is clear that the tax should be reimbursed under the law of Country C, this may be considered not to constitute provision of benefits to obtain an “unfair business advantage.”
4. Providing a benefit to a public official of Country D with the intention of getting preferential treatment regarding permission to export products in order to obtain an advantage over competitors in Country D:  
→ This constitutes provision of benefits to obtain an “unfair business advantage.”  
On the other hand, if a small payment is made to have the procedure for permission duly performed (a small facilitation payment) when such procedure is not being performed according to law, this may be considered not to constitute provision of benefits to obtain an “unfair business advantage.”
5. Providing a benefit to a village mayor to get him/her to expedite procurement of food items necessary for one’s own lifestyle in Country E:  
→ Having someone expedite procurement of food items necessary for one’s lifestyle is not considered a provision of benefits to obtain an “unfair business advantage.”
6. Providing a benefit to an immigration official of Country F in order to have the issue of an

entry or visitor visa processed promptly in an airport of Country F:  
→ When a small facilitation payment is made to expedite a routine administrative service, it may be considered not to constitute provision of benefits to obtain an “unfair business advantage.”

(Section omitted)

Note: Whether or not gift exchanges, entertainment, political donations, etc. are considered provision of benefits to obtain an “unfair business advantage” will be judged on a case-by-case basis depending on the particular circumstances, including the intention, amount and background.

### **3) Fairness in Political Activities**

Nagase Group is committed to ensuring impartiality and fairness regarding political activities, in accordance with laws and regulations of the respective countries and regions in which we do business. The political donations, purchases of party tickets for fund-raising, and so forth are prohibited in principle.(except in private)

### **(3) Compliance with Company Regulations and Rules**

Each Nagase Group company has regulations and rules that set forth the code to be observed by every officer and employee according to local laws, regulations, and culture. Violations of these rules of conduct are more than one person’s mistakes—they could lead to the company being subject to civil or criminal charges. Officers and employees must comply with regulations and rules established by local companies, including work rules and safety control regulations.

#### **1) Trade Secret and Intellectual Property**

Trade secrets such as expertise, information on technology and development, customer and sales price lists, etc. must be treated and controlled as valuable company assets. The same is true for trade secrets obtained from suppliers, business partners, or customers.

Similarly, intellectual property rights including patents, utility models, designs, trademarks, copyrights, artworks, and computer software must be treated as important company assets, protected with the utmost care.

- Handling of company trade secrets

Unauthorized disclosure of company trade secrets could damage the interests of and trust in the company. Trade secrets are not limited to those in written form, but also include electronic media and physical goods, as well as verbal communication. Company trade secrets may not be disclosed or distributed without authorization by the company. When a trade secret is to be provided to a business partner, they must sign a confidentiality agreement in advance.

- Handling third-party trade secrets and intellectual property rights

Absolutely no attempt may be made to obtain trade secrets of any third party fraudulently. Such an act might constitute both criminal and civil violations of the law.

Infringement on an intellectual property right of a third party is against the law, and such could

give grounds for a claim for damages. Therefore, you must conduct preliminary research and/or take other precautions.

## **2) Avoiding Conflicts of Interests**

Some officers or employees may have decision-making authority or be able to influence decisions in across several companies. In such cases they must be careful to avoid conflicts of interests.

When there is a conflict of interests between companies, a decision in one company by an officer or employee in the aforementioned position could be a detriment to the other party. In such cases the employee should report the situation to their superior in accordance with company regulations, and should always act in the best interests of the Nagase Group as a whole.

Corporate decisions made pursuant to company regulations or this Code of Conduct must be given preference and executed accordingly.

## **3) Use of Corporate Assets**

Officers and employees may not use the company's tangible or intangible assets (such as office automation equipment, phones and company cars) and expenses for personal purposes at any time.

## **4) Proper Accounting**

Entries into books and invoice slips must be kept accurate pursuant to applicable laws and regulations as well as company regulations. No false or fictitious record may be entered for any reason.

## **5) Appropriate Use of Information Systems**

The company's information systems must be used for business purposes only. A password should be set up for personal computers used by officers and employees to prevent information leakage. Note that the company may access data and e-mails on the computer hard disks used by officers and employees as necessary.

## **6) Retirement from the Company**

When retiring from the company upon reaching retirement age or for any other reason, officers and employees must return to the company all property, documents and media (including, but not limited to, any devices such USB flash drive, CD-ROMs, external hard disks, records, data, notes, reports, proposals, lists, correspondence, email messages, specifications, drawings, blueprints, sketches, laboratory notebooks, materials, flow charts, equipment, other documents or property, or reproductions of any of the aforementioned items) that may contain company trade secrets, as well as other company information obtained in the course of their job duties. Retiring officers and employees must also return any other corporate assets. Any intellectual property created by an officer or employee during employment remains the property of the company.

Retired officers and employees of a Nagase Group company must obtain prior approval before disclosing or using Nagase Group trade secrets or other company information at any new places of employment.

## **2. Eliminate Anti-Social Elements**

The Nagase Group firmly distances itself from any individual or group that has a negative influence on social order and sound corporate activities. In particular, persons in managerial positions shall set an example in behaving conscientiously against such elements without fear. An act by organized crime groups to extract illegal financial benefits through product complaints, etc. is extortion. We will act against extortion “without fearing, without paying, and without using,” working with the police and legal professionals. We are committed to supporting our officers and employees, acting as a single, organized corporation in dealing with such individuals or groups.

## **3. Provide Useful Products and Services**

### **(1) Develop and Offer Useful Products and Services with Adequate Safety Precautions**

Damage to life, body or property of our users due to product defects should be avoided at all costs. To ensure product safety, we must pay careful attention to the safety of our products and services at every single stage of business operations. This includes research, development, planning, design, production, sales, and after-sales service. We must comply with all applicable safety laws, regulations, and public guidelines.

It must be ensured that information on product safety and handling instructions (including information obtained from suppliers) are conveyed to users, users' operators and end customers without fail.

### **(2) Prevent Further Damages**

When a defect is found in products, quick steps must be taken to prevent the damage from spreading. Information on the defect must promptly be provided to product users and, if need be, counter-measures such as a product recall must be taken.

### **(3) Prevent Recurrences**

When a product-related accident or trouble occurs regarding products or services, find out its cause and appropriately store and utilize the records to prevent recurrence of such accident or trouble. Each section of the company is advised to establish a system that guarantees that such information is fed back in a prompt fashion.

### **(4) Communicate with Suppliers**

When we receive a complaint about a third-party product or service offered by the Nagase Group, we must immediately contact the third-party supplier. Together Nagase and the third-party supplier should look at safety issues in all stages of product creation, including research, development, planning, design, production, sales, and after-sales service.

When a defect is found in a product, information must be passed to the supplier. Issues must be resolved quickly to prevent damage from spreading.

## **4. Respect Employee Talents and Individuality**

### **(1) Respect for Human Rights, Eliminate Discrimination**

The Nagase Group and its officers and employees respect the personality and individuality of each person. We do not harass or discriminate on the grounds of race, religious creed, gender, religion, national origin or ancestry, language, physical appearance, wealth, place of origin, or any other basis protected by national or local law or ordinance or regulation.

The Nagase Group and its officers and employees also respect the history, culture and customs of each region.

The company shall address issues of sexual-, “power” or any other unlawful harassment in the workplace. We shall not explicitly or implicitly allow any such behavior. We will promptly investigate reports of discrimination, offering aid to victims, and taking steps (including disciplinary measures) to prevent discrimination in the future.

### **(2) Respect for Privacy**

The Nagase Group and its officers and employees respect the privacy of each person and pay scrupulous attention in handling personal information, striving to manage such information appropriately.

### **(3) Workplace Safety and Hygiene**

The Nagase Group places the highest priority on workplace safety and hygiene. We create safe and hygienic work conditions. We are also aware of local laws and regulations regarding workplace safety and hygiene, conducting our operations accordingly. Should a workplace accident occur, we will do our utmost to minimize damage and prevent a recurrence.

## **5. Disclose Information**

### **(1) Fair and Prompt Disclosure of Corporate Information**

The Nagase Group communicates with society by disclosing information in a timely and appropriate fashion. Such disclosure does not include, however, trade secrets or information held under non-disclosure obligations. We hold to fairness and transparency in our business, observing social norms. Information useful to society exists beyond that covered by legal statute. We actively release a range of information useful to customers, business partners, officers, employees, shareholders, investors, and local communities. In the course of day-to-day communications, officers and employees are expected to understand what information these parties require, and to address these needs with honesty and integrity.

### **(2) Media Relations**

Information provided to media (including as newspapers, magazines, radio and television) and security analysts is oftentimes interpreted as an official response of the company and published as such. It is the role of public relations staff to provide clear and accurate information to the public according to company rules and with the authorization of the company. Employees may not make

contact with the media or analysts or answer media/analyst inquiries outside of company rules and specific authorization.

## **6. Protect the Global Environment**

The Nagase Group cannot continue its business activities without facing global environmental issues. This is one of our most significant business challenges. As a matter of course, all Nagase Group companies are committed to protecting the environment and to achieve harmony through business activities (eco-friendly activities, eco-friendly products). We always consider the environmental impact of products and services during the planning stages.

### **Supplementary Provisions**

#### **Scope of Application**

1. This Code of conduct applies to all Nagase Group companies, all officers and employees of Nagase Group, personnel who work at Nagase Group under a staff dispatch agreement, personnel on loan to Nagase Group and other personnel equivalent thereto.
2. Nagase Group refers to the following companies:
  - 1) NAGASE & CO., LTD.,
  - 2) companies of which more than 50% of the voting rights are directly or indirectly owned by NAGASE & CO., LTD., and
  - 3) companies which have agreed with NAGASE & CO., LTD. to adopt this Code of conduct.

## Product Safety Principles

The Nagase Group Code of Conduct (created in 2003) states that one of the most important priorities for Nagase & Co. and our affiliates is to meet our social responsibility to deliver safe, reliable products and services to our customers. This is true whether we make the products ourselves or import them from overseas.

1. Comply with laws, regulations, and corporate rules

We comply with the Consumer Products Safety Act and other related laws. Further, we exercise strict management according to our Code of Conduct, ensuring product safety.

2. Create and observe corporate rules

Nagase & Co. has created and observed corporate rules regarding product safety. We continue to improve rules and practices, actively working to ensure the safety of customers who use our products.

3. Product Safety Promotion System

We have created an internal system to ensure that we comply with all product safety regulations, as well as our own company rules. This system covers safety in all aspects of our business processes: research, development, planning, design, production, import, sales, and after service. We conduct scheduled internal audits, adding employee training and/or revising company rules and systems as deemed necessary.

4. Preventing Accidents due to Misuse, etc.

Nagase & Co. provides safety information and usage cautions helpful in preventing accidents caused by misuse or lack of care.

5. Accident Response

Nagase & Co. takes all measures necessary to recall products and/or limit damages in the event of a product-related accident. At the same time, we gather information, quickly informing customers and related parties. We also file reports with relevant government agencies according to law.

6. Prevent Recurrence

In the event of a product-related accident, we research and identify the underlying cause, creating records that we use as a basis for preventing a recurrence.