

## Mid-term Management Plan **ACE-2020**

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Accountability • Commitment • Efficiency

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Management Philosophy and Nagase Vision



### **Management Philosophy**

We recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

### **NAGASE Vision**

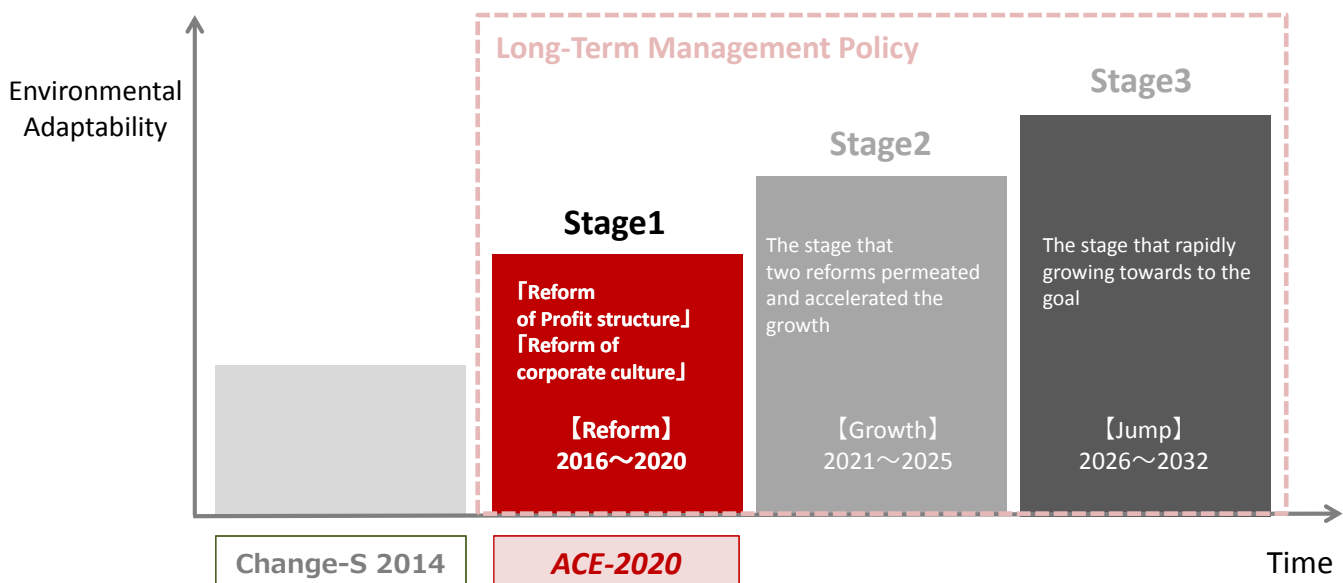
To realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand thorough daily activities.

<b>Goal to 2032</b>	<b>Normalization of the profit more than tripled</b>
<b>Challenges for Growth</b>	<b>Reinforce the Management Platform for Growth</b>
<ul style="list-style-type: none"> <li>• Realize a significant growth by allocating management resources to focused business and by shifting operation from Japan-centrism to multinational management system.</li> <li>• Set up growth investment frame of 200 B yen. Consider large investment as a method to achieve long term objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• To lead growth challenges to success, construct a management platform that will contribute to business expansion and globalization.</li> </ul>
<ul style="list-style-type: none"> <li>• Increase growth investment</li> <li>• Accelerate organic growth</li> <li>• Expand overseas operation</li> </ul>	<ul style="list-style-type: none"> <li>• Restructure global governance</li> <li>• Increase flexibility in HR management</li> <li>• Enhance safety and assurance</li> <li>• Consolidate communication infrastructure</li> </ul>

Positioning of ACE-2020

To achieve our goal by 2032, the last year of Long-Term Management Policy, we divide 17 years of its term into 3 and start stage 1 as the beginning of the Mid-Term management Plan ACE-2020.

\* Our goal: Normalization of the profit more than tripled.



## NAGASE Transforms from "Shosha/Trading" to "Business Designer".

NAGASE strings all the groups together to create and provide new value to the world through 6 key functions.



Leverage Group functions to achieve the quantitative and qualitative targets.

### Reform Profit Structure

**Portfolio Optimization**

- Categorization of business and execution of strategy that matches with the area
- Replacement of asset and reallocation of resources
- Acceleration in investment that creates core business of group

**Expand and Strengthen Revenue Base**

- Accelerate globalization "G6000"
- Improve manufacturing profitability

### Reform Corporate Culture

**Mindset**

- Breed independence and responsibility
- Share the management's message
- Thorough monitoring and PDCA

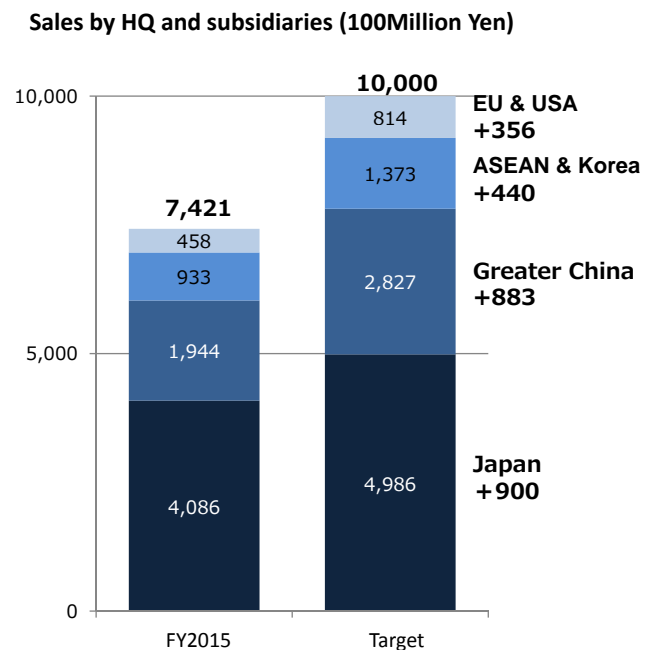
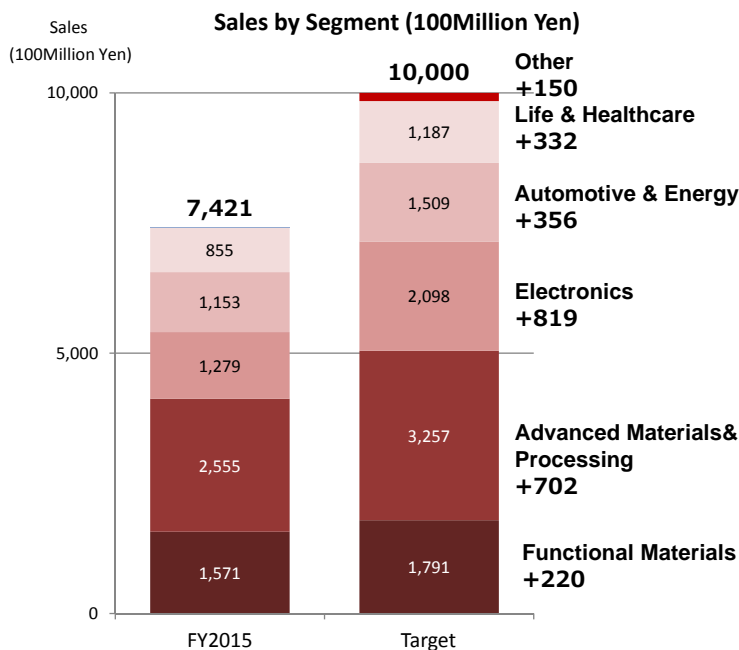
**Strengthen Management Platform**

- Pursue efficiency
- HR development

【6 Functions】

## Consolidated Sales

### Normalize 1.0 Trillion Yen or more

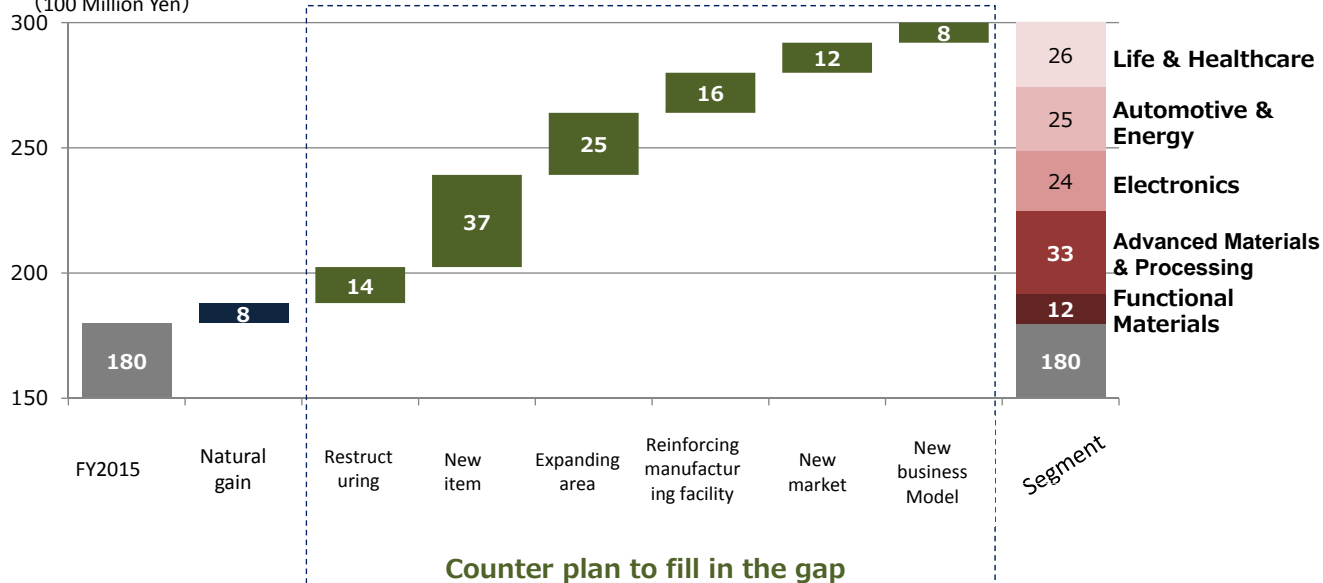


\*Figure differs from Sales by region stated in quarterly report

# Consolidated Operating Profit

Normalize 30 Billion Yen or more

Consolidated Operating Income  
(100 Million Yen)



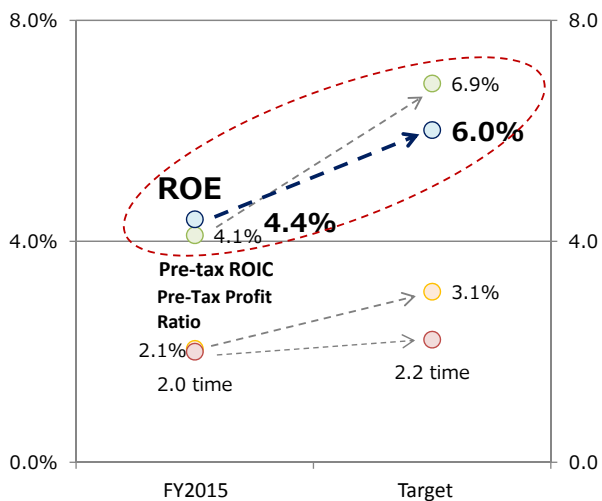
- ※ Natural gain : Natural increase or decrease corresponding to changes in business conditions or an industry
- ※ Counter plan to fill in the gap : Counter plan from Natural gain to Target

# ROE

Normalize Over 6%

ROE/Pre-tax ROIC/  
Pre-tax Profit Ratio(%)

Invested Capital Turn  
Over Ratio (Time)



**Goal to achieve ROE/Pre-tax ROIC**

Pre-tax profit ratio **Improve 1 point** 2.1%→3.1%  
Invested capital turnover ratio **Improve 10%** 2.0times→2.2time

$$ROE = \text{Post-tax Profit} \div \text{Equity}$$

$$\text{Pre-tax ROIC} = \text{Pre-tax Profit} \div (\text{Equity} + \text{Interest-bearing debt})$$

$$ROIC = \frac{\text{Pre-tax Profit}}{\text{Sales Amount}} \times \frac{\text{Sales Amount}}{\text{Equity} + \text{Interest-bearing debt}}$$

Pre-tax Profit Ratio

Invested Capital Turn Over Ratio

All measures that efficiently increase profit by reduced cost

Sales of new and added-value product

Logistics efficiency

Utilize shared service

Withdraw from unprofitable business

Rationalization

All measures that efficiently increases sales with limited asset

Increase growth investment

M&A

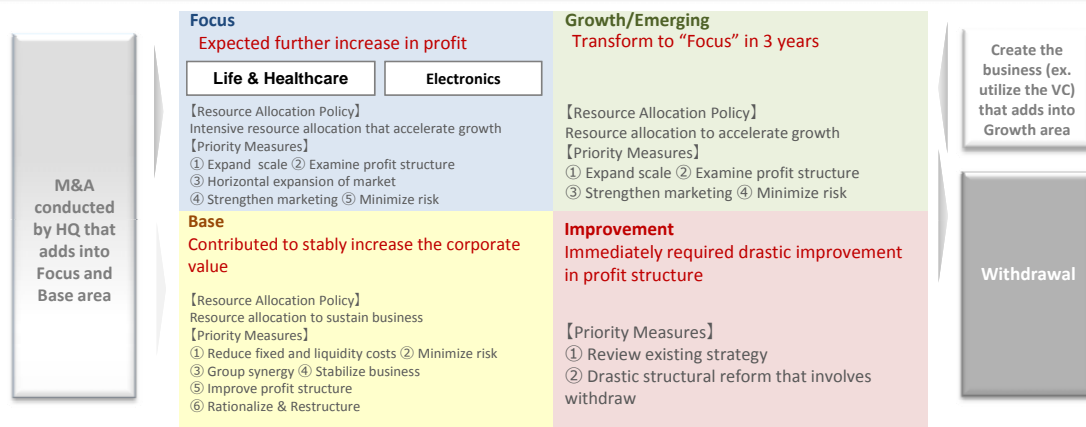
Reduce slow-moving, long-term inventory

Utilize group cash management system

Idle assets liquidation

**Categorize businesses and execute strategies suitable for each category**

**Divide into 4 sectors, "Growth", "Focus", "Base" and "Improvement" to gain maximum efficiency of management resources and expand business.**



**Asset Replacement and Re-allocation**

**Accelerate to withdraw from unprofitable business, solidify management resource that can be reallocated, conduct aggressive growth investment.**

Categorize profitable and unprofitable business by using NPV(Net Present Value) and comparing hurdle rate/IRR to accelerate asset replacement.

**Accelerate Globalization "G6000"**

**Proactively execute own market strategy in each area. Elevate group presence by increase in sales.**

**Aim for \*600 Billion Yen of total sales of overseas group**

- Search and execute growth investment (M&A) that matches with the market strategy of the designated area and accelerate the business development to expand business (especially focused in North America).
- New market development via strengthened 'out-out' organic ties.

**Improve Manufacturing Profitability**

**As a long term strategy, group manufacturing companies manage autonomously, and create a new business based on a scenario agreed upon by manufacturing, development and sales.**

- To grow focused businesses by prioritizing and improving mid-term free-cash-flow over the short-term sales profit.
- To pursue profit structure analysis and management stabilization via effective reduction in cost (improve B/E point).
- New product development and placement of the product into market, cultivation of new market and penetrate into high value added filed. e.g. Overseas sales expansion of Trehalose, capital investment of epoxy sheet material, R&D on conductive material for coating and etc.
- Creating a scenario and HRD which focuses on overseas market expansion. (Overseas marketing and production)

\* The figures on this file are all management accounting data (simple sum) It is different from the figures disclosed on the consolidated financial statement.

**Build Accountability, Responsibility and Risk Awareness**

Set mid-term management plan as a goal that proactively achieves  
and act responsible.

**Share Management's Message**

Create better communication infrastructure,  
and the entire group collectively strives for the same goal.

**Thorough Monitoring and PDCA**

Make full use of dashboard and thorough monitoring to carry out PDCA cycle  
to achieve KGI/KPI.

**Pursue Efficiency**

Eliminate excess/duplication and increase efficiency of the organization/function  
to improve consolidated SGA ratio by 0.5%

**HR Development**

Strongly drive HR development  
to increase group competitiveness and sustainable growth

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## Summary

## KGI (Key Goal Indicator)

KGI	FY2015	FY2020
Consolidated Sales Amount	742.1 Billion Yen	1.0 Trillion Yen or more
Consolidated Operating Income	18.0 Billion Yen	30.0 Billion Yen or more
ROE	4.4%	6.0% or more

## KPI (Key Performance Indicator) Factor index to achieve KGI

Reform/Strategy	measures	KPI (Index)	FY2015	FY2020
Profit Structure Reform Indicator	Increase Focused Business (Portfolio Optimization)	* Operating Profit in Focus Area Growing investment distribution ratio in focus area	10.3B Yen N/A	16.9B yen 35% <
	Accelerate Globalization (Expand and Strengthen Profit Structure)	* Overseas Group Sales Sales Growth Rate in USA	424.7B Yen N/A	600B Yen 170%
	Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)	* Operating Profit from Manufacturing	8.3B Yen	14.4B Yen
		* Break-Even Point Sales Ratio	82%	73%
Corporate Culture Reform Indicator	Pursue Efficiency (Strengthen Management Platform)	Consolidated Selling, General and Administrative Ratio	9.9%	9.4%
Financial Strategy Indicator	Investment	Growth Investment	N/A	* 100B Yen
	Financial Structure	Rating (R&I)	[A]	[A] or more

\* Total numbers in 5 years

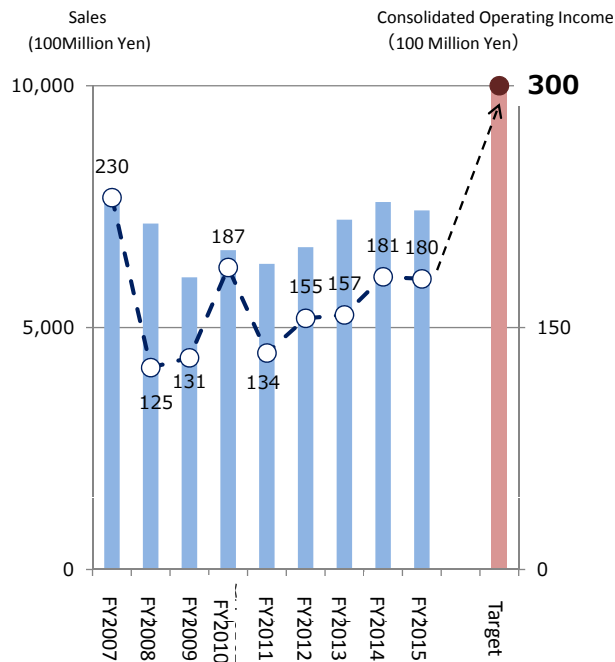
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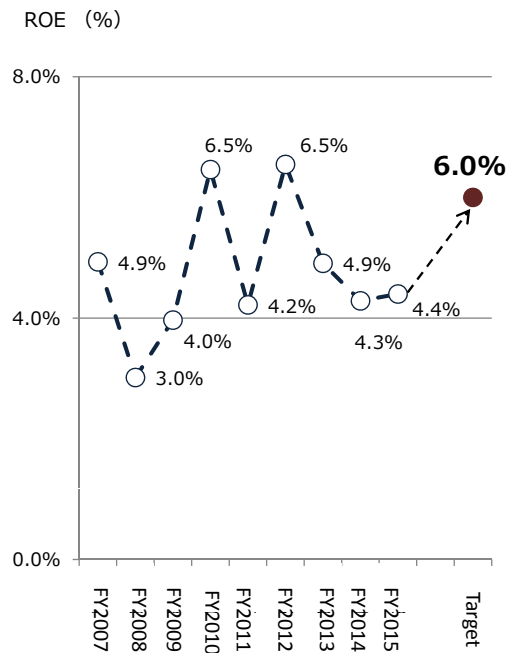
**Consolidated Sales**

**Normalize 1.0 Trillion Yen or more**



**ROE**

**Normalize Over 6% at early stage**



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

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of May 6, 2016. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.