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# Bringing it all together



## About this Report

The NAGASE Group Slogan is “Bringing it all together.” This slogan inspires us to realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities.

This annual report is our opportunity to communicate to our stakeholders, providing financial and non-financial information related to the NAGASE Group as a business organization, our issues, and our mid- and long-term strategies in a single, integrated publication.

We intend to continue to evolve this annual report as an effective tool to communicate our activities for improving the NAGASE Group corporate value over the medium and long term.

In creating this report, we referred to version 1.0 of the International Integrated Reporting Framework issued in December 2013 by the International Integrated Reporting Council.

### Forward-Looking Statements

Non-historic information contained in this annual report related to NAGASE & CO., LTD. and NAGASE Group revenue and profit plans, strategies, presumptions, etc. are forward-looking statements that include elements of risk and uncertainty. Actual earnings may differ significantly from forecasts due to changes in these elements. Accordingly, the reader is cautioned to refrain from placing undue reliance on such future forecasts contained in this document. Elements that could impact earnings results are not necessarily limited to those explicitly noted in this document.

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# Management Philosophy and the NAGASE Vision

The NAGASE Group updated its philosophy structure as one initiative toward creating sustainable growth and improving corporate value. We kept the current NAGASE Management Philosophy in place, while defining a new NAGASE Vision and NAGASE Way (employee behavioral guidelines) to create a shared awareness within the NAGASE Group.

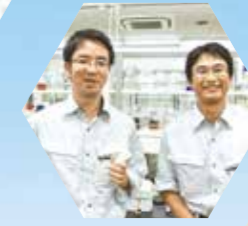
We have launched a new global branding project and created a new NAGASE Slogan to more plainly declare the NAGASE Vision: Bringing it all together.

This slogan represents our commitment to bringing it all together

into an encompassing whole: our business domains, our operating regions and countries, our people, our products, our technologies, and our services.

By spreading word of the unique NAGASE concept through our branding project and organization-wide activities, we hope to create a strong personal vision within each employee.

It is this personal vision within each person that will help us reach sustainable growth.



## A sense of values shared within the NAGASE Group

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 Management Philosophy**

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

**NAGASE Vision**

- Always be customer-oriented.
- Always be a creative challenger.
- Always use the power of the NAGASE Group.
- Always think globally and act locally.
- Always think systematically and act speedily.

**“The NAGASE Way” Action Principles**

## The NAGASE Vision

### Strengths/ Characteristics

- Maintaining the highest standards of integrity for almost 200 years
- Working with partners to enable new businesses
- Driving new technologies with knowledge and experience
- Staying a step ahead of the market to actively offer solutions

### Value Proposition

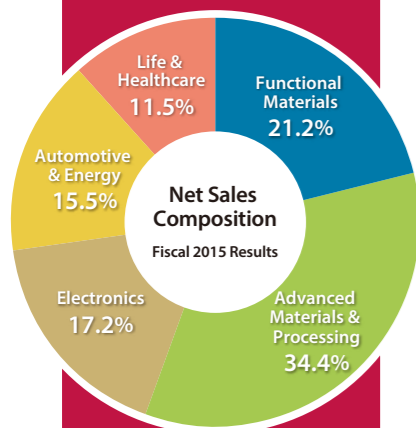
- We “Identify, Develop and Expand” new businesses
- 1. Identify : We discover untapped business opportunities
- 2. Develop: We convert opportunities into customer value
- 3. Expand : We deliver solutions to multiple fields and regions

### Vision for the Future

- We will contribute to a sustainable world where people live with peace of mind

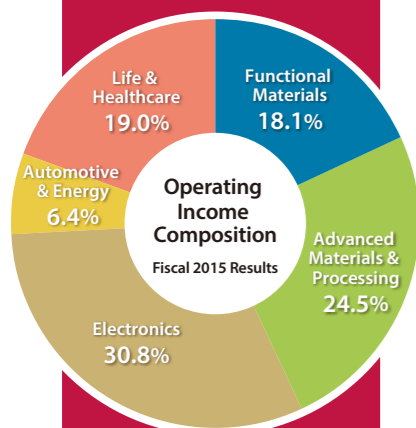
Consolidated Net Sales

¥742.1 billion



Consolidated Operating Income

¥18.0 billion



### Functional Materials



#### Performance Chemicals Department

**<Department Overview>**  
The Performance Chemicals Department leverages Group manufacturing and R&D functions to provide a broad range of goods and services to the global market, from general-purpose petrochemical products to high-value-added products. The department consists of a raw materials business for the paint and ink industry and a raw materials business for the urethane industry, each of which is recognized as an established leader in its respective market.

**<Main Products and Services>**  
Resins, raw materials for resins, pigments, solvents, and additives for paints and inks, urethane materials, flame retardants, release agents

**<Customer Industries>**  
Paints and inks, urethane

#### Speciality Chemicals Department

**<Department Overview>**  
The Speciality Chemicals Department has a long and successful history, serving more than 2,000 customers in the plastic materials and additives, industrial oil materials, plating chemicals, water processing agents, photoresist materials, fluorochemicals, silicone, and other industries. Today, the department handles more than 10,000 different products. Furthermore, we are working toward the global expansion of new businesses and customer products, utilizing unique customer technologies and our own value chain.

**<Main Products and Services>**  
Petrochemical products, plastic materials and additives, chemicals for paper manufacturing, raw materials for industrial oil solutions, surfactants and surfactant raw materials, fluorochemicals, silicone materials, plating chemicals, electronics chemicals and polymer filters

**<Customer Industries>**  
Petrochemicals, plastics, electronic materials, semiconductors, industrial oil, surfactants, organic synthetics, etc.



### Advanced Materials & Processing



#### Colors & Advanced Processing Department

**<Department Overview>**  
The Colors & Advanced Processing Department is mainly involved in handling colors, chemical raw materials, and other products that are vital components of functional materials that connect people with information—both digital and analog. The department also sells copolyester resins, functional sheets and films, and plastic molding products manufactured by Eastman Chemical. This department offers high-value, proprietary solutions, working closely with Group manufacturing companies and the Nagase Application Workshop to build a network of businesses across a wide range of domains.

**<Main Products and Services>**  
Pigments/additives, digital print processing materials, copolyester resins, functional sheets and films, organic transparent conductive materials, dyestuffs, fiber processing agents, auto body repair paint

**<Customer Industries>**  
Paper manufacturing/thermal paper, cosmetics and toiletries, electronic equipment, sheets and films, printing and print materials, fiber processing, auto body paint

#### Polymer Global Account Department

**<Department Overview>**  
The Polymer Global Account Department provides plastics, related auxiliaries, equipment and facilities to the domestic and international office automation (OA), electric and electronics, and consumer electronics industries. The greatest strength of this department is the sheer number of local staff who maintain networks in Asia, as well as their wealth of experience and knowledge. The department continues to create new plastics businesses through cooperative efforts, reflecting NAGASE Group growth strategies.

**<Main Products and Services>**  
Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings

**<Customer Industries>**  
Office automation, electronics and consumer electronics, home appliances, housing and construction materials, packaging materials



### Electronics



#### Electronic Chemicals Department

**<Department Overview>**  
The Electronic Chemicals Department provides unique products and services for the electronics industry, including formulated epoxy resins, highly pure chemicals, chemical management equipment, semiconductor equipment, and other proprietary products and services. The department answers the needs of the Japanese and overseas markets, focusing on high-value-added products produced by Group manufacturing companies. The department strives for high profitability, integrating trading and manufacturing functions.

**<Main Products and Services>**  
Formulated epoxy resins and related products, photolithography materials for the production of semiconductors and liquid crystal displays, chemical management equipment for liquid crystal display production processes, semiconductor equipment and bumping services

**<Customer Industries>**  
Electronic components, displays, heavy electric machinery, semiconductors, automotive, environment and energy

#### Electronic Materials Department

**<Department Overview>**  
The Electronic Materials Department leverages its domestic and overseas network to sell display device peripheral components/cases, internal components, LED-related materials, and lenses and other optical components. As well, the department utilizes manufacturing functions in its glass processing and flame retardant insulation/thermal conductive sheets businesses.

**<Main Products and Services>**  
Materials for smartphone and tablet cases, touch panel materials, optical films for liquid crystal displays, abrasives, LED chips and related materials, glass processing, anti-reflective sheets for plastic and glass, materials for backlights, electronic paper-related materials, materials for flexible displays, organic light-emitting materials, flame-resistant insulation/thermal conductive sheets

**<Customer Industries>**  
Smartphones and tablets, displays, touch panels, LEDs



### Automotive & Energy



#### Automotive Solutions Department

**<Department Overview>**  
The Automotive Solutions Department operates in the global automotive industry, which is experiencing increasingly rapid growth. Here, we make the most of our superior global network to expand sales of raw materials and products in global markets, particularly China, ASEAN, and North America. At the same time, we are working to improve Group manufacturing functions to offer greater levels of safety, security, comfort, and environmental friendliness demanded by society now and in the future. In doing so, we plan to contribute to the new automobile society and grow our business at the same time.

**<Main Products and Services>**  
Commodity plastics and engineering plastics for automotive interior/exterior components, automotive interior/exterior and functional components, lightweight materials and components, electronics components, auxiliaries, plastic-related equipment, devices and tools

**<Customer Industries>**  
Automotive and automotive parts industries

#### Energy Business Office

**<Department Overview>**  
The Energy Business Office deals in energy management systems (EMS) combining and networking lithium ion battery (LiB) systems and photovoltaic (PV) modules. In combination with related component materials, NAGASE devises marketing strategies that anticipate future needs, dealing in and sharing information covering all aspects of the business from upstream to downstream. Beginning fiscal 2016, the department will begin dealing in LED optical communications equipment for the safe, stable control of infrastructure related to the businesses referenced above.

**<Main Products and Services>**  
Raw materials for lithium ion battery (LiB), photovoltaic (PV) modules, LiB systems, PV materials and applied products in energy management systems, independently powered systems, LED optical communications equipment, wireless communications modules

**<Customer Industries>**  
Batteries, photovoltaics, automotive and automotive parts, construction, logistics, lighting, commercial facilities, public facilities, etc



### Life & Healthcare



#### Life & Healthcare Products Department

**<Department Overview>**  
The Life & Healthcare Products Department sets its sights on contributing to food, beauty, and health as a member of the Life & Healthcare segment. This department is developing high value-added products that help people live better and healthier lives, leveraging the Group's comprehensive strengths in trading, R&D, and manufacturing and processing in the global food materials, pharmaceutical/medical materials, cosmetic materials, household materials, agriculture, fisheries, and livestock fields.

**<Main Products and Services>**  
Functional food ingredients (functional saccharides, enzymes, health food materials, and food additives), cosmetics and household product materials (whitening agents, moisturizing agents, UV absorbers, activators, antibacterial agents, and nutritional supplements, chelates), pharmaceuticals (active pharmaceutical ingredients [APIs], clinical trial APIs, intermediates, raw materials, formulations, additives), in-vitro diagnostics, medical materials, related materials for agriculture, fisheries, and livestock (agricultural chemicals and materials, fertilizers, feed and feed additives)

**<Customer Industries>**  
Foods, pharmaceuticals and medical, diagnostic drugs, cosmetics, household goods, agricultural, fisheries and livestock

#### Beauty Care Products Department

**<Department Overview>**  
In keeping with its business philosophy to provide safe, high-quality products and services that enhance beauty inside and out, the Beauty Care Products Department manufactures and sells cosmetics and health foods led by our popular Rosemary ingredient, which is the result of state-of-the-art research conducted in Japan and overseas. In addition, the department's sales network is comprised of 50,000 people who offer advanced counseling and facial care services.

**<Main Products and Services>**  
Cosmetics (including skin care counseling and facial care services), health foods

**<Customer Industries>**  
General consumers

# Tradition and Innovation

NAGASE & CO., LTD. is a chemicals trading firm, founded in Kyoto, Japan in 1832. The NAGASE Group began as a specialized sales agent securing exclusive contracts to sell industry-leading products from around the world in Japan. Over the years, we have leveraged our technology and information gathering expertise—as well as our global network—to transform our business into a hybrid model offering superior manufacturing, processing, and R&D functions as well as trading company services. Looking forward to our 200th anniversary in the year 2032, we are creating a platform for sustainable growth.

## Supporting Japanese Industry

Founded as a dyestuffs wholesaler, we became an industrial raw materials supplier during Japan's high-growth period

Our **184th** year in business

### Established in 1832

- 1832 Nagase founded in Kyoto as a dyestuffs trading concern. Sales of dyestuffs, starches and funori seaweed
- 1898 Head office moved to Osaka



Founder: Denbei Nagase

Founding

## Overseas Network

In the 1900s, we signed sales representative agreements with Eastman Kodak and General Electric, building a foundation of trust lasting nearly two centuries

Overseas Sales to Net Sales **51%**  
As of fiscal 2015

One of the earliest companies to expand overseas

### 1900s

- 1900 Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)
- 1901 Opened office in Lyon
- 1911 Established Tokyo branch office
- 1913 Opened offices in London, New York
- 1917 Established Nagase Shoten Company (from sole proprietor to corporation)
- 1923 Established business ties with Eastman Kodak Co. of the United States
- 1930 Concluded an exclusive distributorship agreement with Union Carbide and Carbon Corp. of the United States
- 1938 Established Teikoku Chemical Industries Co., Ltd.



Top: NAGASE partner Eastman Kodak in the early 20th century  
Left: Osaka Headquarters at incorporation in December 1917

Right: Nagase-CIBA Ltd. in 1971  
Bottom: Newly completed Tokyo branch office building (October 1969)



Accelerating growth in Asia and other markets overseas

## Foundation for Cooperative Growth

Creating new businesses in cooperation with our customers and business partners around the world



### 1950s

- 1964 Listed Company shares on the Osaka Securities Exchange
- 1968 Concluded an exclusive distributorship agreement with General Electric Co. of the United States
- 1970 Established Nagase-CIBA Ltd. (now Nagase ChemteX Corporation) jointly with Ciba-Geigy Ltd. Listed Company shares on the Tokyo Stock Exchange
- 1971 Established Nagase (Hong Kong) Ltd. and Nagase America Corporation. Established Engineering Plastics, Ltd. jointly with General Electric Co.
- 1972 Established Nagase Medicals Co., Ltd.
- 1975 Established Nagase Singapore (Pte) Ltd.
- 1977 Established Nagase Biochemicals, Ltd.
- 1980 Established Nagase Chemicals, Ltd. Established Nagase (Europa) GmbH
- 1982 Established Nagase (Malaysia) Sdn. Bhd.
- 1985 Established Seoul branch office
- 1988 Established Nagase (Taiwan) Co., Ltd.
- 1989 Established Nagase (Thailand) Co., Ltd. Established Nagase Science and Technology Foundation. Tokyo branch office became a head office; adoption of Osaka/Tokyo two head office system
- 1990 Established Sofix Corporation, a U.S.-based color former production joint venture. Set up the Nagase R&D Center in Kobe. Established joint venture Nagase Wahlee Plastics Corporation (Taiwan)
- 1997 Established Nagase Philippines Corporation. Established Shanghai Nagase Trading Co., Ltd. Established Nagase Engineering Service Korea Co., Ltd.
- 1998 Established P.T. Nagase Impor-Ekspor Indonesia. Established Shanghai Hua Chang Trading Co., Ltd.



Top: Hayashibara Co., Ltd (functional saccharides manufacturing plant)  
Top Right: Nagase R&D Center

Expanding manufacturing bases, R&D centers

## Unique Functions

A chemicals trading company building a strong reputation in manufacturing, processing, and research and development



### 2000s

- 2000 Changed the name of Nagase-CHIBA, Ltd. to Nagase ChemteX Corporation
- 2001 Nagase ChemteX, Nagase Chemicals, Teikoku Chemical Industries, and Nagase Biochemicals, merged to Nagase ChemteX Corporation. Closed the Seoul branch office and established Nagase Korea Corporation
- 2002 Established Guangzhou Nagase Trading Ltd. Established Nagase ChemteX (Wuxi) Corporation
- 2004 Established NWP International Trading (Shenzhen) Co., Ltd.
- 2005 Established Totaku Industries Suzhou Co., Ltd. Established Nagase Electronics Technology Co., Ltd. Established Nagase Philippines International Services Corporation
- 2006 Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH. Established Nagase India Private Ltd.
- 2007 Established Nagase Application Workshop
- 2008 Established Sakai Sales Office. Established Nagase Vietnam Co., Ltd.
- 2009 Established Dubai branch office
- 2012 Acquired stock of Engineered Materials Systems Inc., U.S.-based maker of formulated epoxy resins. Acquired stock of Hayashibara Co., Ltd. (Okayama, Japan). Established local entity in Brazil
- 2014 Completion of NAGASE Global HRD Center
- 2015 Created NAGASE Long-Term Management Policy, updated Management Philosophy Structure

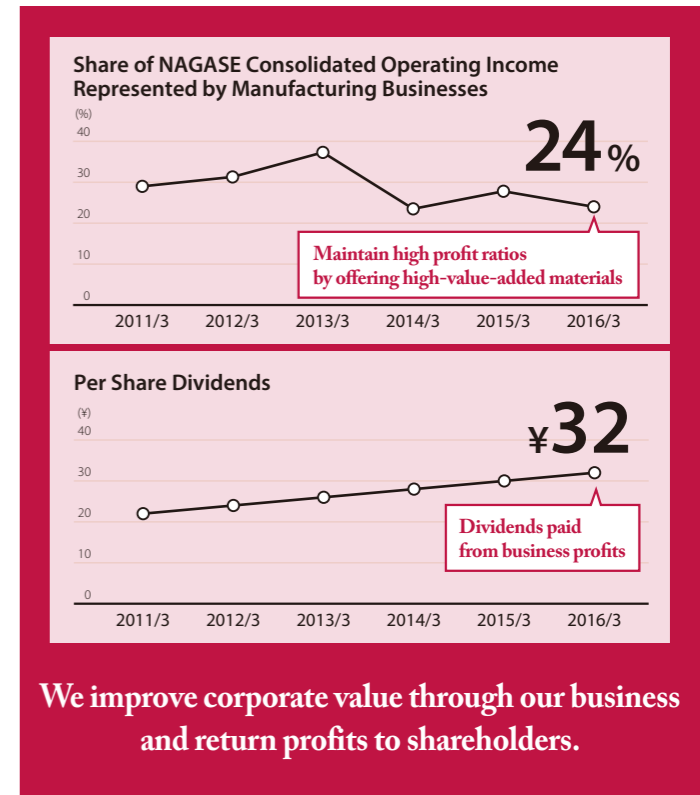
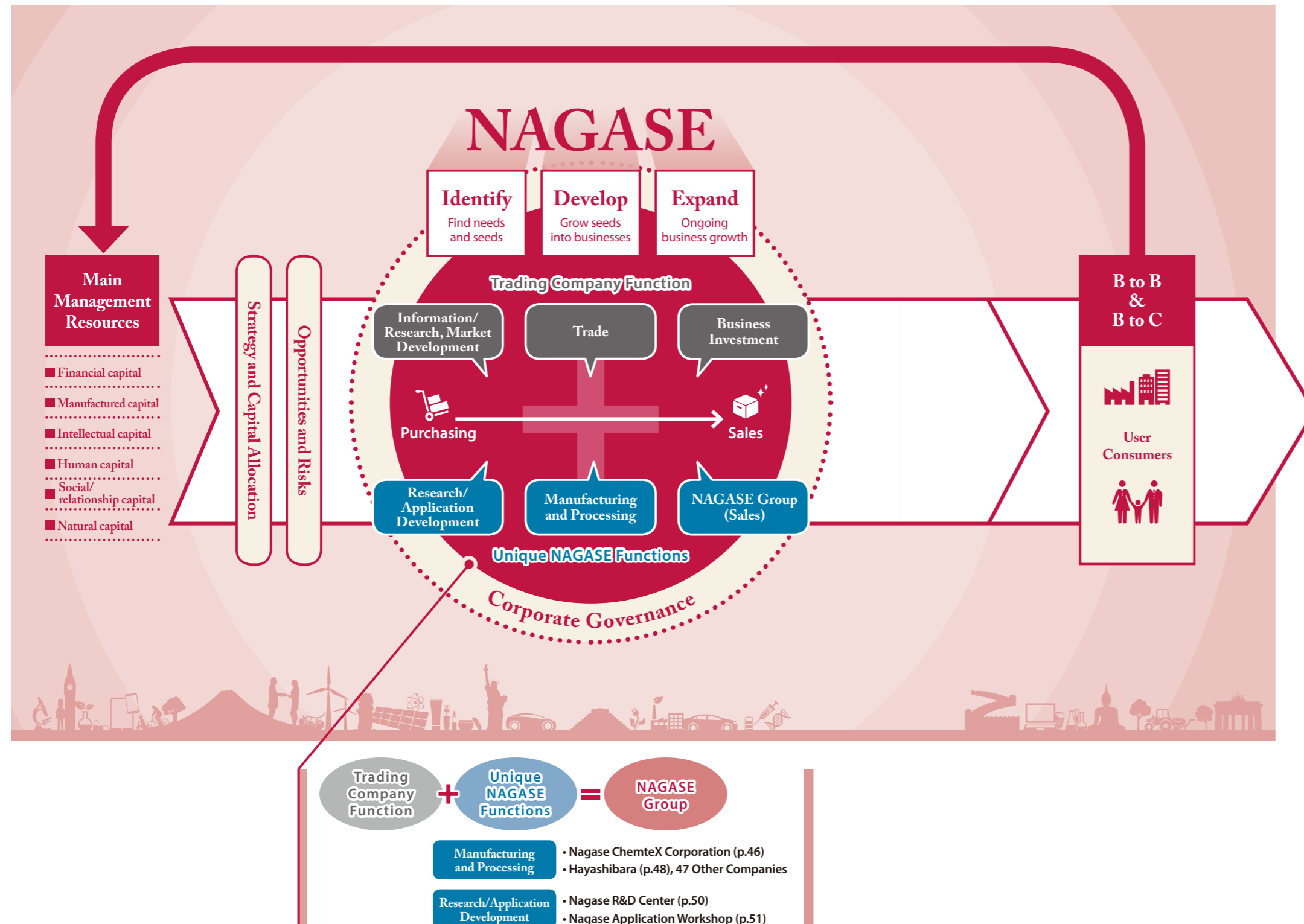
### 2016 Launched new mid-term management plan

See P.16

## 2032 Our 200th anniversary

# A Unique Business Model that Extends Beyond the Traditional Trading Firm Framework

The NAGASE Group has created a truly unique, highly valuable business model by integrating traditional trading firm functions with manufacturing, processing, and research and development functions.



## Delivering Valuable Products and Services on the Global Stage

NAGASE delivers value that contributes to creating a sustainable world where people live with peace of mind. This value is represented in everything from raw materials for plastic materials and additives, functional polymers, and plastic products to functional food ingredients and pharmaceutical raw materials and intermediates. We will continue to grow as we work together closely with our customers in producing products and services of value.

**A Sustainable World Where  
People Live With Peace of Mind**

### Functional Materials



**Coating Raw Materials**

Coating raw materials sold by NAGASE are used in automobile bodies and other applications.

### Advanced Materials & Processing



**Color Formers**

Manufacture and sale of color formers used in thermal paper applications, including cash register receipts and tickets.

### Electronics



**Variety of Electronics-Grade Chemicals**

Supply of chemicals and resist for use in the manufacture of LCD panels, semiconductors, and electronic components.

### Automotive & Energy



**Car Electronics**

Solutions for new materials, components, and technologies for next-generation environmental applications.

### Life & Healthcare



**Pharmaceutical and Medical Fields**

Manufacture and sale of pharmaceutical raw materials, anti-cancer drugs, and other health-related products.



**Urethane Materials**

High-density, flexible urethane materials sold by NAGASE are used in car seat cushions.



**Copolyester Resin (Tritan™)**

A copolyester resin resistant to temperatures greater than 100°C. This material is widely used as a substitute to compensate for defects in tableware and other glass products.



**Liquid Crystal-Related Products**

Sale of display device peripheral components and touch panel materials to the smartphone and table PC industry.



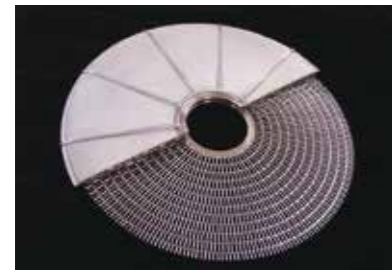
**Car Multimedia**

Initiatives for components and new materials that offer safety, security, and comfort.



**Cosmetics**

Manufacture and sale of cosmetics materials, products, and health foods.



**Denafilter™**

Manufacture and sale of Denafilter™, a filtration system used in the manufacturing process of high quality films for packaging and optical applications.



**Engineering Plastics**

Sales of plastics for use in office automation equipment and other applications.



**Epoxy Resins**

Manufacture and sale of adhesives used in liquid encapsulants for semiconductors and wind power generation, as well as epoxy resins used in displays, optical component materials, and other industrial applications.



**Home Energy Management Systems**

The affordable Home Energy Management System (HEMS) is under development to realize easy access to Zero Energy House (ZEH).



**TREHA™**

TREHA™ is a functional saccharide that slows quality degradation caused by freezing or drying. Manufacture and sale of trehalose used in a wide variety of processed foods.

# 13-Year Financial Highlights

NAGASE & CO., Ltd. and Consolidated Subsidiaries (Years Ended March 31)

	(Millions of Yen)											(Millions of Yen)			
	2004/3	2005/3	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3		



Performance (Accounting Fiscal Year)		2004/3	2005/3	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3
Net sales		¥533,301	¥575,636	¥648,023	¥701,321	¥764,755	¥715,238	¥603,949	¥660,213	¥631,854	¥666,272	¥723,212	¥759,713	¥742,194
Segments	Functional Materials (formerly Chemicals)	231,360	251,725	222,282	247,094	267,836	248,461	237,124	253,290	177,126	167,017	169,973	168,238	157,149
	Advanced Materials & Processing (formerly Plastics)	170,996	188,456	229,278	244,681	274,660	253,029	192,569	222,100	217,929	214,214	239,224	254,165	255,505
	Electronics	118,978	122,632	132,086	150,796	163,833	153,255	117,591	133,640	110,495	125,014	137,026	149,947	127,926
	Automotive & Energy	—	—	—	—	—	—	—	—	76,113	83,068	99,441	109,851	115,351
	Life & Healthcare (former Healthcare/Other)	11,966	12,821	56,404	53,556	56,489	58,905	55,542	50,247	49,170	76,116	76,810	76,609	85,571
	Other	—	—	7,972	5,191	1,934	1,585	1,121	934	1,018	841	737	900	689
Region	Domestic	349,557	363,708	388,470	410,789	432,813	394,874	360,382	389,379	366,369	361,971	372,939	374,208	363,038
	Overseas	183,744	211,928	259,553	290,532	331,942	320,364	243,567	270,833	265,484	304,301	350,272	385,505	379,156
Gross Profit		53,494	61,960	67,640	73,639	80,506	71,527	65,415	73,008	71,628	82,583	88,936	91,991	91,663
Operating Income		10,244	13,256	17,596	21,669	23,063	12,522	13,128	18,732	13,427	15,578	15,789	18,153	18,024
Profit attributable to owners of the parent		7,010	10,384	12,892	13,567	10,005	5,808	7,537	12,823	8,570	14,182	11,663	11,318	12,316
<b>Financial Condition:</b>														
Total Assets		¥310,793	¥335,290	¥396,773	¥422,859	¥419,869	¥340,968	¥368,088	¥375,336	¥450,842	¥486,747	¥498,141	¥546,525	¥512,081
Equity Capital		156,210	167,092	196,620	205,083	200,554	184,599	195,344	201,516	204,706	228,505	246,723	281,398	273,963
Interest-Bearing Debt		16,417	14,019	24,834	20,491	33,342	31,340	21,886	27,125	88,710	98,425	92,828	98,493	87,557

Per Share Data:		(Yen)						(Yen)						
Net Income (Basic)		¥ 54.69	¥ 81.00	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	¥ 58.64	¥ 99.76	¥ 66.69	¥ 111.31	¥ 91.86	¥ 89.10	¥ 96.96
Net Assets		1,227.82	1,311.37	1,535.70	1,597.27	1,559.97	1,435.88	1,519.61	1,568.04	1,592.87	1,803.31	1,942.20	2,215.18	2,156.67
Cash Dividends		9	10	15	18	17	16	16	22	24	26	28	30	32
Payout Ratio (%)		16.3	12.3	14.9	17.0	21.8	35.4	27.3	22.1	36.0	23.4	30.5	33.7	33.0
Shareholders' Equity Dividend Rate (%)		0.77	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	1.52	1.50	1.44	1.46

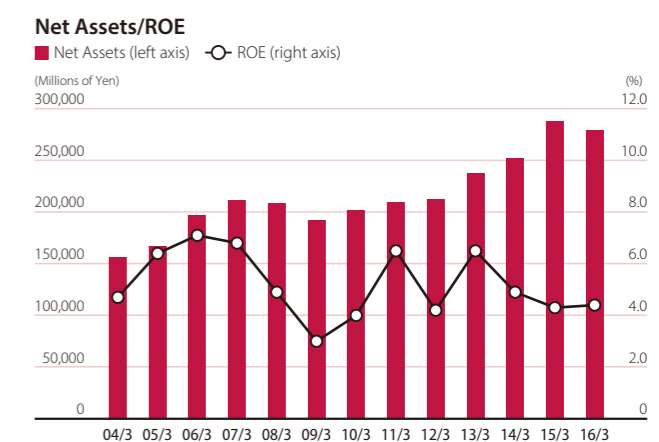
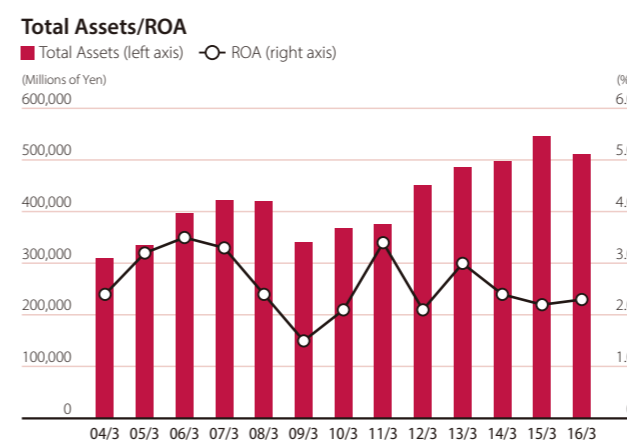
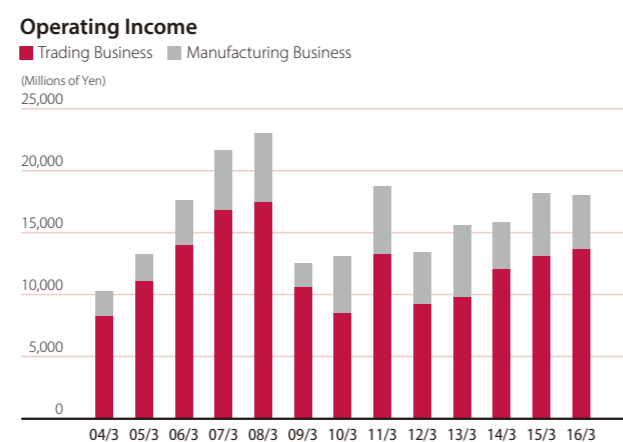
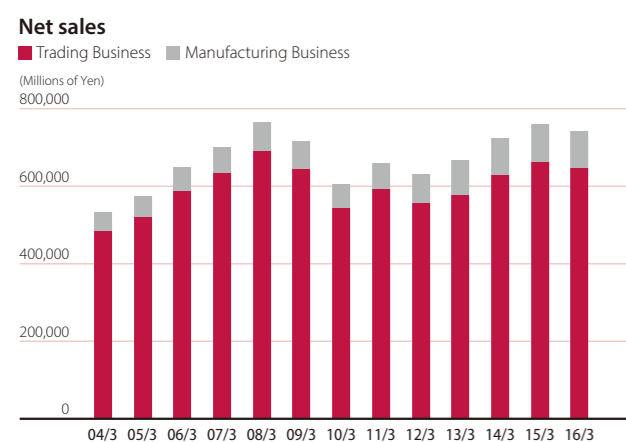
Ratios:		(%)						(%)						
Overseas Sales to Net Sales		34.5	36.8	40.1	41.4	43.4	44.8	40.3	41.0	42.0	45.7	48.4	50.7	51.1
Manufacturing Ratio (Operating Income)		19.2	16.4	20.5	22.3	24.4	15.5	35.4	29.0	31.3	37.3	23.5	27.8	24.3
Operating Margin (Operating Income/Net Sales)		1.9	2.3	2.7	3.1	3.0	1.8	2.2	2.8	2.1	2.3	2.2	2.4	2.4
Return on Equity (ROE)		4.7	6.4	7.1	6.8	4.9	3.0	4.0	6.5	4.2	6.5	4.9	4.3	4.4
Net Worth Ratio		50.3	49.8	49.6	48.5	47.8	54.1	53.1	53.7	45.4	46.9	49.5	51.5	53.5
Debt Equity Ratio (Times)		0.11	0.08	0.13	0.10	0.17	0.17	0.11	0.13	0.43	0.43	0.38	0.35	0.32

(Note 1) At the beginning of fiscal 2005, the Fine Chemicals Department (part of the Chemicals segment) was integrated with the Healthcare segment. The combined organization is now known as the Life Sciences segment.

(Note 2) At the beginning of fiscal 2009, the Company moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Electronics segment to the Chemicals segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

(Note 3) At the beginning of fiscal 2012, the NAGASE Group reorganized its four business segments into five business segments (Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare) to more fully reflect the respective positions of each business in the value chain. For comparative purposes, fiscal 2011 figures have been calculated using the new business segments. The Colors & Imaging Department formerly under the Chemicals segment has been moved under the Advanced Materials & Processing segment. The Automotive & Energy segment was organized out of the Automotive Solutions Department (belonging to the Plastic segment) and the Energy Business Office, which was launched as an integrated entity from the Environment & Energy Office (under Other) and the Energy Device Office.

(Note 4) At the beginning of fiscal 2013, the Automotive & Energy Segment was organized by combining the former Automotive Solutions Department (under the Plastics Segment) and the former Energy Business Office, which was an integrated entity combining the Environment & Energy Office (under the Other Segment) and the Energy Device Office.







**NAGASE has embarked on a new five-year management plan to set the course toward our 200th year in business.**



Representative Director and President

朝倉 研二

July 2016

### Looking Back on Fiscal 2015

I assumed the office of NAGASE & CO. president a little over one year ago, in April 2015. At the time, we were just winding down our **Change-S2014** mid-term management plan. This plan called for us to speed the pace of change in strengthening our functions as a business. Unfortunately, aside from our investment targets, we underperformed our goals by a wide margin. Looking at fiscal 2014 by itself, we anticipated higher revenues and profits, though these gains were mainly due to the positive effects of currency exchange rates. Internally, we congratulated ourselves on the fact that we posted a short-term profit. I had concerns that we could not expect sustainable long-term growth on our current path. I clearly remember feeling a great sense of impending crisis.

Considering the situation, I discussed in my inaugural address the keywords “full participation” and “front-line focus.” These were the concepts I most wanted to impress on our organization. In my New Year’s greeting for 2016, I presented a message called “ONE STEP FORWARD,” reflecting my desire for everyone to reaffirm these key concepts. I firmly believe that corporate culture cannot be reformed without changing the values and the mindset of every manager and every employee in our group. Today, the NAGASE Group moves forward on the efforts of more than 6,000 employees worldwide.

As the external environment continues to change at a dizzying pace, we must build a strong sense of unity among ourselves. We must be fearless in the face of change if we are to maximize the potential of our organization.

Let’s look at the external environment, for example. While the Japanese economy plodded along throughout fiscal 2015, the Chinese economy was slowing down. The Japanese yen jumped in valuation at the beginning of the year. These and other factors combined to make for an extremely challenging and dramatically changing year. Despite these challenges, the epoxy resins business in our Electronics segment performed comparatively steadily. The same can be said for the Hayashibara business and raw materials for the perfume and cosmetics business in our Life & Healthcare segment. On the other hand, our Automotive & Energy segment underperformed against prior year, mainly due to expenses involved with getting new businesses up and running.

On the investment front, Hayashibara completed its move out of the old Okayama factory. The company also added new space, equipment, and facilities to increase manufacturing capacity for TREHA™. In the electronics field, we acquired shares of Nissei Technology Corporation, making that company an equity method affiliate. (See p.28 for more information on individual segment performance.)

### Taking Action Toward our 200th Anniversary

The NAGASE Group is looking forward to its 200th anniversary in the year 2032. As we approach this turning point in our history, we are already engaged in a number of actions putting us on a 17-year path.

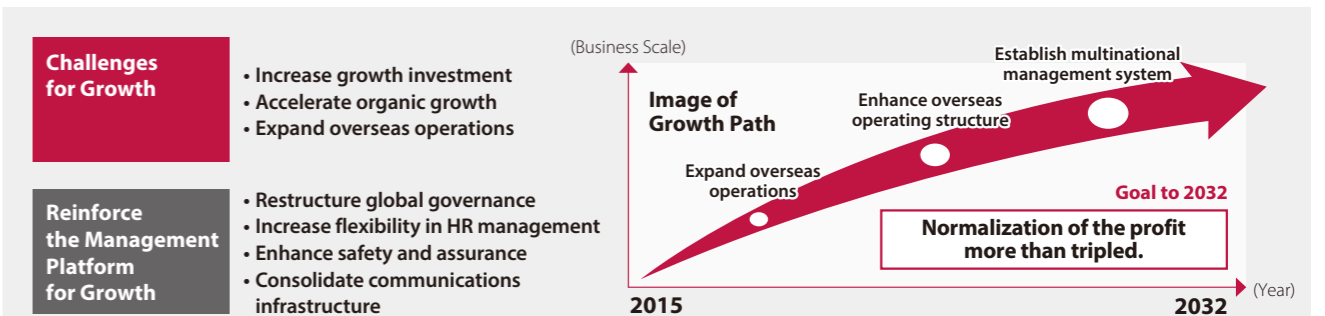
#### Long-Term Management Policies

The NAGASE Group has established a set of long-term management policies to take us to our 200th anniversary. These policies will help us achieve the type of growth not possible under our old systems and pace of business. Our aim is to normalization of the profit more than tripled, and we are

already taking measures to this end. The framework of our long-term management policy is *Challenges for Growth* and *Reinforce the Management Platform for Growth*.

Under *Challenges for Growth*, our aim is to realize significant growth by allocating management resources to focused business and by shifting operation from Japan-centrism to a multi-national management system. In so doing, we believe we can achieve the type of growth not possible under our old ways of doing business. At the same time, under *Reinforce the Management Platform for Growth*, we are constructing a management platform that will contribute to business expansion and globalization as we work to succeed in these challenges.

#### Summary of Long-term Management Policy



Global Branding Initiatives

As an initiative toward future sustainable growth and corporate value improvement, we have started the NAGASE Branding Project. Based on our standing management philosophy to engage in maintaining the highest standard of integrity, we created the NAGASE Vision and Group Slogan as our promise to all stakeholders. To ensure that all NAGASE Group employees understand the meaning of the words Identify, Develop, and Expand, and are able to communicate that meaning to our stakeholders using the same words, we began sending our chairman and vice-chairman throughout the organization during fiscal 2015 to discuss and educate on these topics. Our hope is to ultimately influence our overseas companies and

affiliates directly, instilling a stronger sense of corporate culture throughout the entire NAGASE Group.

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 through daily activities.

NAGASE Group Slogan

Bringing it all together

A New Mid-Term Management Plan

To achieve our goal of normalization of the profit more than tripled, we divide 17 years of its term into 3 and start the five years between fiscal 2016 and fiscal 2020 positioned as

Stage 1: Reform. The new ACE-2020 mid-term management plan is a plan for executing *Reform of Profit Structure* and *Reform of Corporate Culture*. The ACE in ACE-2020 stands for Accountability, Commitment, and Efficiency.

ACE-2020 Overview

As the business environment undergoes a massive change, we are striving to achieve sustainable growth as a group, taking action to reform our organizational culture, to execute on our strategy, and to commit ourselves to achieving our goals.

Basic Policy

Under ACE-2020, we will step away from the idea of NAGASE as a trading firm first and foremost. We now consider the trading firm function as another of our Group functions, as we maximize the leverage of our manufacturing, research, overseas network, logistics, and investment functions, uniting as a Group to create and deliver new value to the world.

As part of ACE-2020, we have set aside ¥100 billion for growth investment. Funds exceeding cash flows from operating activities will be procured primarily through interest-bearing bonds, while increased capital efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

Reform Profit Structure

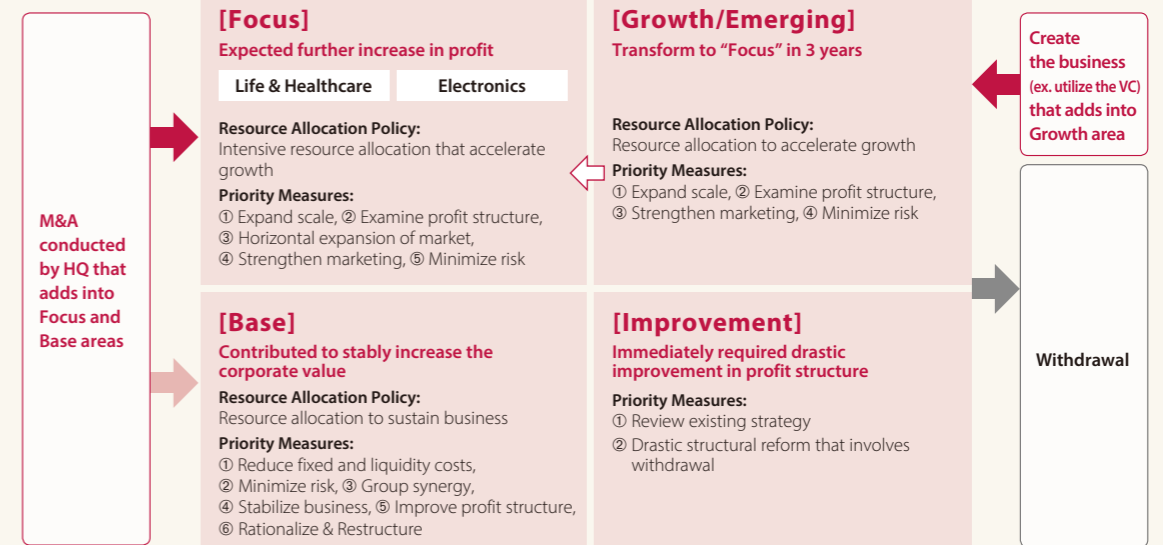
Focused Measure (1)-1

Portfolio Optimization

We divide our entire business into four sectors, "Growth/Emerging," "Focus," "Base," and "Improvement" to gain maximum efficiency of management resources and expand business, executing strategy for each area for growth, profitability, and business scale. In addition, we will solidify management resources that can be reallocated and conduct aggressive growth investment in order to accelerate asset replacement. Furthermore, we have set a growing investment distribution ratio for the focus area to greater than 35 percent.

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.

Focused Measure (1)-2

Expand and Strengthen Revenue Base

Our trading and manufacturing business sector stands individual KPI to improve each function. We create new business by leveraging entire functions. Our trading business sector will elevate the presence of the NAGASE Group through increased overseas sales and accelerated globalization, founded on effective market strategy execution in each region. The manufacturing business sector will be managed based on long-term strategy. This strategy will support to raise "Focus" business that prioritizes to increase mid-term free cash flow and to pursue management stability by effective cost-down.

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

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

- 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.

Grow focused businesses by prioritizing and improving mid-term free-cash-flow over the short-term sales profit; 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 field. 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)

### Reform Corporate Culture

**Focused Measure (2)-1**

**Mindset**

Establish four mindset concepts for creating a corporate culture in which the entire NAGASE Group is aligned toward the same goals: Accountability, Responsibility and Risk Awareness, Monitoring and Message Sharing, PDCA. Increase accuracy to achieve target by delegating authority to local units; change HR policies; step up management visibility; and exercise PDCA through ongoing monitoring.

**Focused Measure (2)-2**

**Strengthen Management Platform**

Pursue efficiency by back office section routine review, redefinition and reconstruction of the organization scale, integrate group companies and segments where creates the synergy to improve consolidated SG&A ratio by 0.5 percent.  
Accelerate HR Development to increase group competition and sustainable development by carrying long-term career plans and proactively recruit external talent.

**ACE-2020 Basic Policy**

**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

**KGI (Key Goal Indicator)**

KGI	FY2015	FY2020
Consolidated Sales	742.1 Billion Yen	1.0 Trillion Yen or more
Consolidated Operating Income	18 Billion Yen	30 Billion Yen or more
ROE	4.4%	6% 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 Income in Focus Area*	10.3 B Yen	16.9 B yen
		Growing Investment Distribution Ratio in Focus Area	N/A	35% <
	Accelerate Globalization (Expand and Strengthen Profit Structure)	Overseas Group Sales*	424.7 B Yen	600 B Yen
		Sales Growth Rate in USA	N/A	170%
	Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)	Operating Income from Manufacturing*	8.3 B Yen	14.4 B 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	**100 B Yen
	Financial Structure	Rating (R&I)	[A]	[A] or more

\* The figures in this document are all management accounting data (simple sums). It is different from the figures disclosed on the consolidated financial statement.  
\*\* Total numbers in 5 years

**To Our Stakeholders**



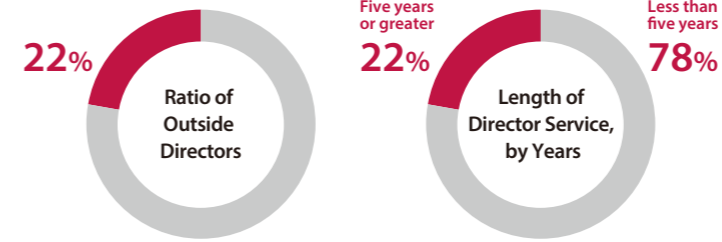
Looking forward to our 200th anniversary, we are already taking action, moving ahead under our new five-year mid-term management plan. The environment surrounding the NAGASE Group remains a challenge. But we will achieve our goals, inspired by our belief in *Full Participation* and *Front-Line Focus*.

The growth of the NAGASE Group relies heavily on maintaining positive relations with our stakeholders, and particularly on our relations with shareholders and investors. We have done our best to deliver consistent dividends to our shareholders based on considerations of consolidated payout ratio and consolidated dividend on equity. I hope to increase opportunities for constructive dialogue with our shareholders and investors. We will strive to act on the feedback we receive. I ask for your continued support as the NAGASE Group works to break through to new levels of growth.

# Our Board

(as of June 29, 2016)

## Sustainable corporate value through management and disclosure Accountability



### Directors



**1. Representative Director and Chairman**  
**Hiroshi Nagase**

**2. Director and Vice Chairman**  
**Reiji Nagase**

**3. Representative Director and President and CEO**  
**Kenji Asakura**

**4. Representative Director and Managing Executive Officer**  
**Mitsuro Naba**

**5. Director and Managing Executive Officer**  
**Osamu Morishita**

**6. Director and Executive Officer**  
**Kohei Sato**

Overseas Operations

**7. Director and Executive Officer**  
**Ichiro Wakabayashi**

Sales & Marketing  
General Executive, Advanced Materials & Processing Segment  
General Executive, Electronics Segment  
Nagase Application Workshop

**8. Outside Director**  
**Hidenori Nishi**

1975 Joined Kagome Co., Ltd.  
2000 Director, Kagome Co., Ltd.  
2003 Director, Executive Officer, Kagome Co., Ltd.  
2005 Director, Managing Executive Officer, Kagome Co., Ltd.  
2008 Director, Senior Managing Executive Officer, Kagome Co., Ltd.  
2009 Representative Director, President, Kagome Co., Ltd.  
2014 Representative Director, Chairman, Kagome Co., Ltd.  
2014 Director, NAGASE & CO., LTD.  
2016 Chairman of the Board, Kagome Co., Ltd.

**9. Outside Director**  
**Nobumasa Kemori**

1980 Joined Sumitomo Metal Mining Co., Ltd.  
2006 Managing Executive Officer and Director, Sumitomo Metal Mining Co., Ltd.  
2007 Representative Director and President, Sumitomo Metal Mining Co., Ltd.  
2013 Representative Director and Chairman, Sumitomo Metal Mining Co., Ltd.  
2016 Director and Chairman, Sumitomo Metal Mining Co., Ltd. Director, NAGASE & CO., LTD.

### Corporate Auditors



**Audit & Supervisory Board Member**  
**Kenichi Matsuki**



**Audit & Supervisory Board Member**  
**Masahiko Hamaguchi**



**External Audit & Supervisory Board Member**  
**Nobuyuki Shirafuji**

1984 Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)  
2003 General Manager of the London Group of Global Corporate Investment Dept. of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Ltd.  
2006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London) of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Ltd.  
2013 General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation  
2016 Retired from the Sumitomo Mitsui Banking Corporation  
Corporate Auditor, NAGASE & CO., LTD.



**External Audit & Supervisory Board Member (part-time)**  
**Toshio Takano**

1987 Deputy General Manager of the Special Investigation Department of the Tokyo District Public Prosecutors Office  
2001 Superintendent Public Prosecutor of the Sendai High Public Prosecutors Office  
2004 Superintendent Public Prosecutor of the Nagoya High Public Prosecutors Office  
2006 Takano Law Firm  
2008 Corporate Auditor, NAGASE & CO., LTD.

### Executive Officer

**Akihiko Isono**  
Managing Executive Officer  
Nagase ChemteX Corporation

**Katsuhisa Yamaguchi**  
Executive Officer  
CEO, Greater China and COO, Nagase Business Management & Planning (Shanghai) Co., Ltd.

**Mitsuru Kanno**  
Executive Officer  
CEO and COO, Nagase (Europa) GmbH

**Masatoshi Kamada**  
Executive Officer  
GM, Electronic Materials Department

**Masanori Furukawa**  
Executive Officer  
Hayashibara Co., Ltd.

**Takanori Yamauchi**  
Executive Officer  
GM, Human Resources & General Affairs Division  
GM, Logistics Management Division

**Satoru Morita**  
Executive Officer  
GM, Intellectual Property Office

**Masaya Ikemoto**  
Executive Officer  
General Executive, Automotive & Energy Segment  
GM, Automotive Solutions Department  
Nagoya Branch

**Yasuhiro Mihara**  
Executive Officer  
General Executive, Functional Materials Segment  
GM, Speciality Chemicals Department

**Naoki Yasuba**  
Executive Officer  
General Executive, Life & Healthcare Segment  
GM, Life & Healthcare Products Department

**Takahiro Okumura**  
Executive Officer  
GM, Electronic Chemicals Department

<b>Director Term of Service</b> <b>One Year</b> <small>(same for outside directors)</small>	<b>Number of Independent Directors</b> <b>4</b> <small>(all outside directors)</small>	<b>Institutional Format</b> <b>Corporation with Board of Directors and Audit &amp; Supervisory Board Members (Audit &amp; Supervisory Board)</b>	<b>Total Number of Directors</b> <b>9</b>
<b>Number of Outside Directors</b> <b>2</b>	<b>Executive Officer System Adopted</b> <b>Yes</b>	<b>Total Number of Audit &amp; Supervisory Board Members</b> <b>4</b>	<b>Number of Outside Auditors</b> <b>2</b>
<b>Number of Board of Directors Meetings</b> <b>14</b> <small>(Attendance by Outside Directors) Mr. Hidenori Nishi, 100% (Attendance by Outside Corporate Auditors) Mr. Toshio Takano, 93%</small>	<b>Compensation Committee</b> <b>Yes</b>	<b>Number of Audit &amp; Supervisory Board Meetings</b> <b>14</b>	<b>Independent Auditors</b> <b>Ernst &amp; Young ShinNihon LLC</b>

### Outside Director, Outside Corporate Auditor Assignments

One outside director and one outside corporate auditor were newly appointed at the 101st General Shareholders' Meeting, held June 29, 2016. The two individuals have been asked to provide independent insight based on their wealth of experience, exercising oversight and auditing roles to improve NAGASE management prudence and transparency.

<b>New Outside Director</b> <b>Nobumasa Kemori</b>	<b>New Outside Corporate Auditor</b> <b>Nobuyuki Shirafuji</b>
• Background (p. 21) • Reason for Selection (p. 27)	• Background (p. 21) • Reason for Selection (p. 27)

### Compliance with the Corporate Governance Code (as of July 1, 2016)

**[Supplementary Principle 1-2 (4)]**

**English translation of shareholders' meeting convocation**

To ensure a proper format for shareholders to exercise their voting rights in general shareholders' meetings, NAGASE & CO., LTD. uses the proxy voting platform service operated by Investor Communications Japan. NAGASE provided an English translation of the convocation notice of the 101st General Shareholders' Meeting, held June 29, 2016.

**[Principle 3-1 (v)]**

**Explanations with respect to individual appointments and nominations of candidates for director and corporate auditor**

To ensure the transparency and fairness of corporate decisions, as well as to exercise practical corporate governance, NAGASE & CO., LTD. disclosed the reasons for candidate nominations in reference materials attached to the convocation notice for the 101st General Shareholders' Meeting, held June 29, 2016. (See p. 27 for more about outside directors and outside corporate auditors.)

**[Principle 5-1]**

**Policy for constructive dialogue with shareholders**

NAGASE & CO., LTD. has established a basic policy for conducting constructive dialogue with shareholders to contribute to sustainable growth and improved corporate value over the medium and long term. To encourage constructive dialogue, we have appointed a director in charge of corporate finance as the director in charge of investor relations. Our Investor Relations Department conducts regular conferences with the cooperation of internal departments to provide appropriate responses to constructive dialogue.

Please refer to the NAGASE & CO., LTD. corporate governance report for more information.

### Basic Approach

The NAGASE Group is a member of the 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 needed while improving the welfare of our employees.

Under our management philosophy, we have established the NAGASE Vision as our promise to our stakeholders: To realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities.

To put these principles and vision into practice, we established a framework for sustainable growth in any business climate. This framework of our long-term management policy is Challenges for Growth and Reinforce the Management Platform for Growth. We are improving our corporate value over the medium and long term guided by this framework.

We believe that rapid decision-making, execution, and transparency are essential for us to accomplish these initiatives as we engage in strengthening our corporate governance.

### Initiatives to Strengthen Corporate Governance

	~2000	2001	2002	2003	2004	2005	2007	2008	2009	2010	2012	2015	2016	
<b>President</b>	Hiroshi Nagase												2015~ Kenji Asakura	
<b>Chairman of the Board of Directors</b>	Chairman								President		Chairman			
<b>Separation of Management and Business Execution</b>	Directors 20	Reduced board to 11 directors	10	8	10				9	10				
	2001~ Adopted Executive Officer System (for faster decisions and stronger business execution)													
<b>Advisory Board</b>					2004 2 Individuals	2005~ 1 Individual								
<b>Outside Directors</b>					2004 1 Individual	2005~ 2 Individuals								
<b>Outside Corporate Auditors</b>	1994~ 1 Individual, 1998~ 2 Individuals													
	2001~ Compliance Committee						Risk Management & Compliance Committee							
	2002~ Established Basic Compliance Policy													
<b>Compliance</b>	2003~ Established NAGASE Group Compliance Behavior Standards						Revised							
	2004~ Established Compliance Call Center Rules													
	2007~ Internal Controls Promotion Committee								2009~ Internal Controls Committee					
<b>Director Compensation</b>													2010~ Director Compensation Committee	
<b>Management Philosophy</b>														

## Executive Structure

Under a corporate system that adopts an Audit & Supervisory Board, NAGASE introduced the executive officer system in June 2001. The Company's current management framework consists of 9 directors (including 2 outside directors), 16 executive officers (5 of whom concurrently serve as directors), and 4 corporate auditors (including 2 outside corporate auditors). NAGASE has also established the following committees to reinforce its corporate governance function.

Under the executive officer system, the NAGASE corporate governance system collaborates various internal committees to appoint outside directors and members to the Audit & Supervisory Board 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 the trust of our stakeholders.

### NAGASE Corporate Governance System

#### 1 Board of Directors

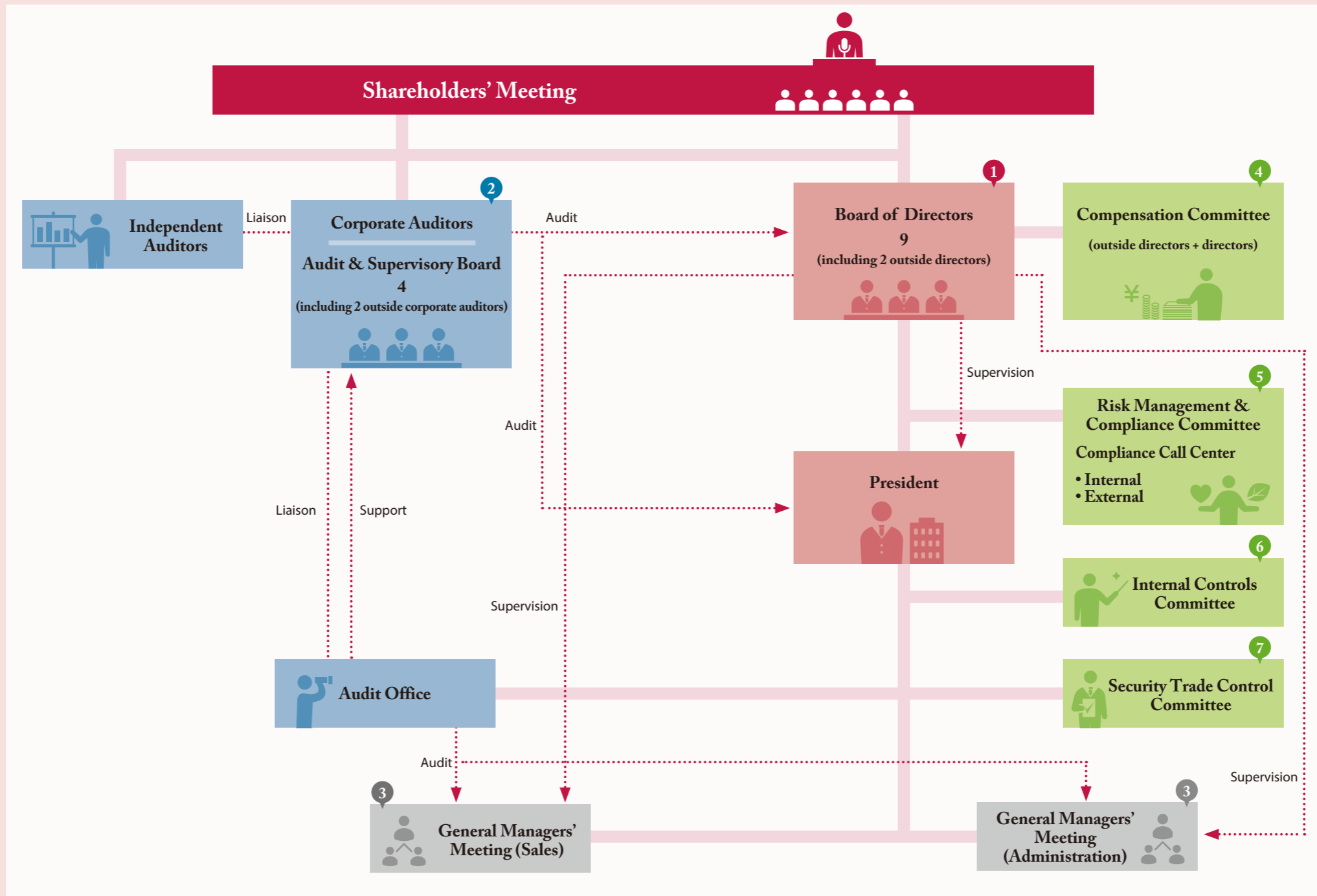
The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. Holding a regular monthly meeting, the Board of Directors reviews and formulates measures regarding important decisions and tracks business performance.

#### 2 Corporate Auditors/Audit & Supervisory Board Members

In accordance with audit policy and standards for responsible work set at Audit & Supervisory Board's 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.

#### 3 Executive Officers

Executive officers attend General Managers' Meeting (Sales) and General Managers' Meeting (Administration) related to their sales and managerial responsibilities. Each department provides a status report, which is discussed by meeting attendees before an action plan is formulated.



#### 4 Compensation Committee

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.

#### 5 Risk Management & Compliance Committee

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.

#### 6 Internal Controls Committee

The Internal Controls Committee documents the company-wide 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.

#### 7 Security Trade Control Committee

The Security Trade Control Committee thoroughly complies with export related laws and regulations in relation to foreign currency exchange and foreign trade for its trading of cargos and technologies covered by such laws and regulations.

## Director Compensation

Director compensation (excluding outside directors and corporate auditors) consists of basic salary and performance incentives (bonuses). The Company calculates compensation based on director compensation rules, contingent on approval by the Board of Directors. Performance incentive (bonus) amounts are determined according to a basic payment amount based on Company earnings for the period in question. The company considers individual performance based on the Goal Management System when determining basic salary and director bonuses.

The Compensation Committee, at least half of whose members are outside directors, assesses the validity of compensation standards and systems, reporting to and advising the Board of Directors. This ensures improved objectivity and transparency in the director compensation decision-making process.

### Total Director Compensation by Title, Total Compensation by Type, Number of Eligible Directors

(Millions of yen)

Title	Total Compensation	Total Compensation by Type		Number of Eligible Directors
		Basic Compensation	Bonus	
Directors (excluding Outside Directors)	304	233	71	10
Corporate Auditors (excluding Outside Corporate Auditors)	43	43	—	3
Outside Officers	49	49	—	4

### Important Matters regarding Employee Bonuses for Employees Also Serving as Directors

(Millions of yen)

Total	Number of Eligible Directors	Comments
35	4	Paid in an amount equivalent to employee bonus.

## Internal Audit System

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities including affiliated companies. The Audit Office is staffed by 14 employees, including certified public accountants, certified internal auditors (CIA), qualified internal auditors (QIA) and other individuals who possess specialized knowledge in internal audits. The Audit & Supervisory Board consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance and accounting.

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 Audit & Supervisory Board exchange information regarding internal audits and audits of domestic and overseas subsidiaries as necessary, 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 Corporation'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 quarterly basis, independent auditors also hold meetings twice a year with the Audit & Supervisory Board.

NAGASE & CO., LTD. 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. The Audit Office reports results of its internal operational audits to the Internal Controls Committee. The Internal Controls Committee regularly reports on the status of internal controls to the Audit & Supervisory Board and the Company's external auditor.

Audits by certified public accounts are performed in a fair and unbiased manner by a staff of 40, which includes the following specified limited-liability partners and accountant trainees.

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

## Independence Standards and Policies for Outside Directors

NAGASE & CO., LTD. selects candidates for outside directors in accordance with the standards of independence stipulated by the Financial Instruments Exchange, and who have the ability to identify issues from a perspective representing the interests of stakeholders and society at large. The Company selects candidates for outside corporate auditor who have a wealth of knowledge and experience in a variety of fields, and who have the ability to conduct audits from a standpoint of neutrality and objectivity.

The Company has designated a total of four outside directors as Independent Directors: Mr. Hidenori Nishi and Mr. Nobumasa Kemori as outside directors, and Mr. Nobuyuki Shirafuji and Mr. Toshio Takano as outside auditors.

Category	Name	Reason for Appointment	Attendance at FYE March 2016 Board Meetings	Concurrent Titles/Responsibilities
Outside Directors	Hidenori Nishi	Hidenori Nishi has been involved in the management of Kagome Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance.	14/14	CEO, Kagome Co., Ltd. Outside Director, Dynapac Co., Ltd. Chairman, Japan Cannery Association
	Nobumasa Kemori	Nobumasa Kemori has been involved in the management of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance.	Named director in June 2016	Chairman & Director, Sumitomo Metal Mining Co., Ltd.
Outside Corporate Auditors	Nobuyuki Shirafuji	Nobuyuki Shirafuji does not have direct managerial experience, but he possesses wide-ranging knowledge based on his many years of overseas experience in financial institutions. He also has many years of experience concerning audits and audit divisions and possesses considerable knowledge regarding finance and accounting, and consequently, we determined that he will properly perform his duties as an External Audit & Supervisory Board Member and we request his election.	Named outside corporate auditor in June 2016	N/A
	Toshio Takano	Toshio Takano does not have direct managerial experience, but he has many years of experience in legal circles and possesses considerable knowledge regarding compliance and corporate governance. Consequently, we determined that he will properly perform his duties as External Audit & Supervisory Board Member, and we request his election.	13/14	Outside Corporate Auditor, Kakaku.com, Inc. Outside Corporate Auditor, Daicel Corporation Outside Corporate Auditor, Fancl Corporation

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

## Policies related to Company Information Disclosure

Pursuant to the Nagase Group Compliance Behavior Standards, we engage in ongoing communications with society and our stakeholders through timely disclosure of truly important information over appropriate channels. We are mindful that all corporate activities remain within the bounds of socially accepted norms.

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

See Timely Disclosure System on our corporate website for more.

### Major Investor Relations Activities during Fiscal 2015

Activity	No. of Events	Comments
Conference/briefing for institutional investors and analysts	2	Financial results disclosure, forecasts, special topics (year-end, interim)
Individual investor conferences/meetings	4	Conducted at branches of securities companies (Osaka 3 times, Aichi once)
Overseas Roadshows	1	President and CFO travel overseas to meet directly, have discussions with institutional investors
Overseas Conferences	Various times	Participation in conferences sponsored by securities companies

## Business Continuity Planning

### Fiscal 2015 Results

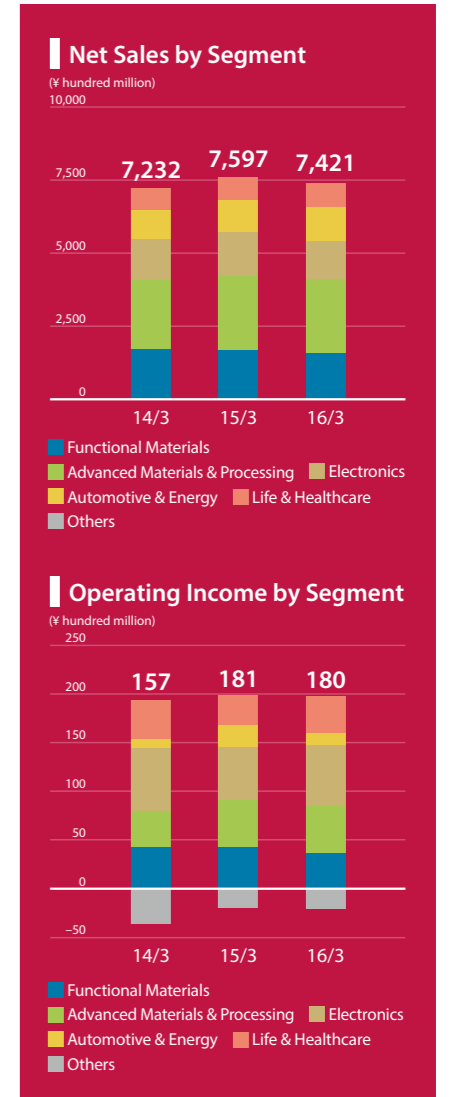
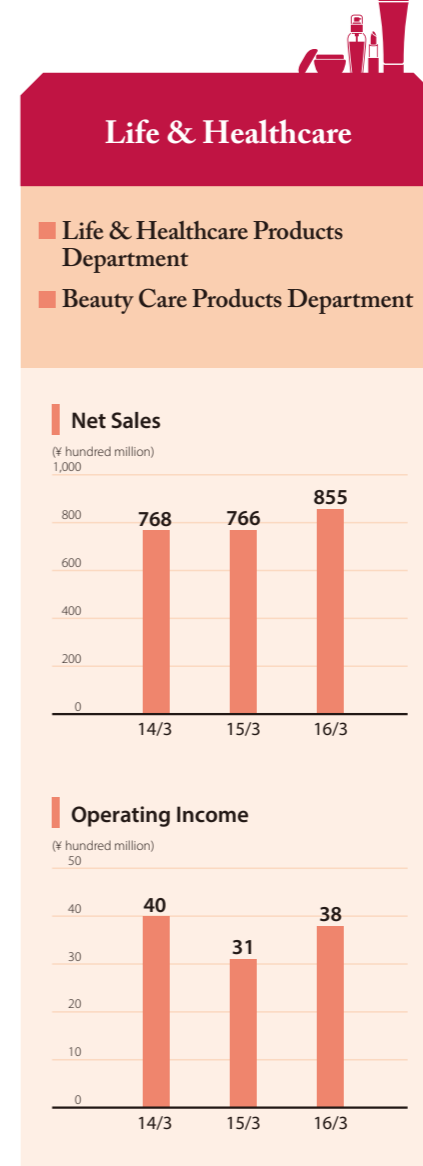
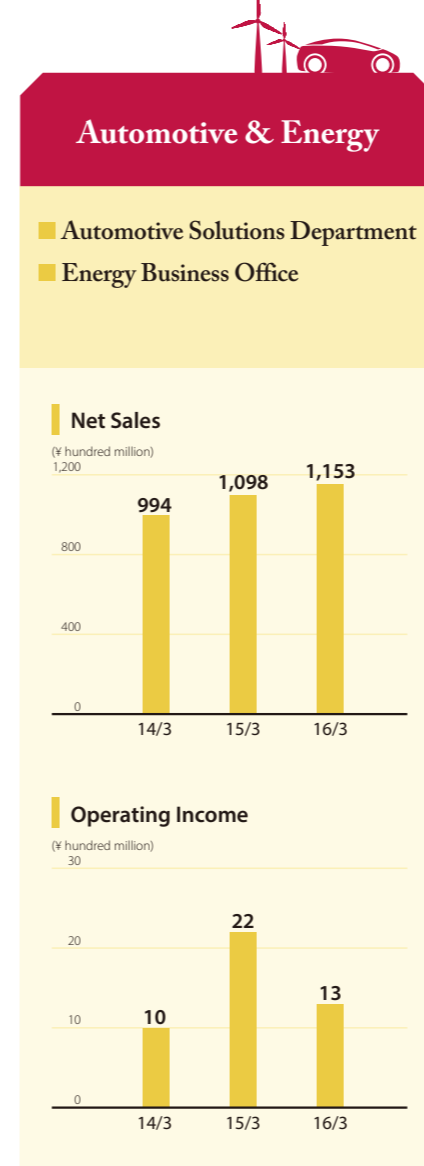
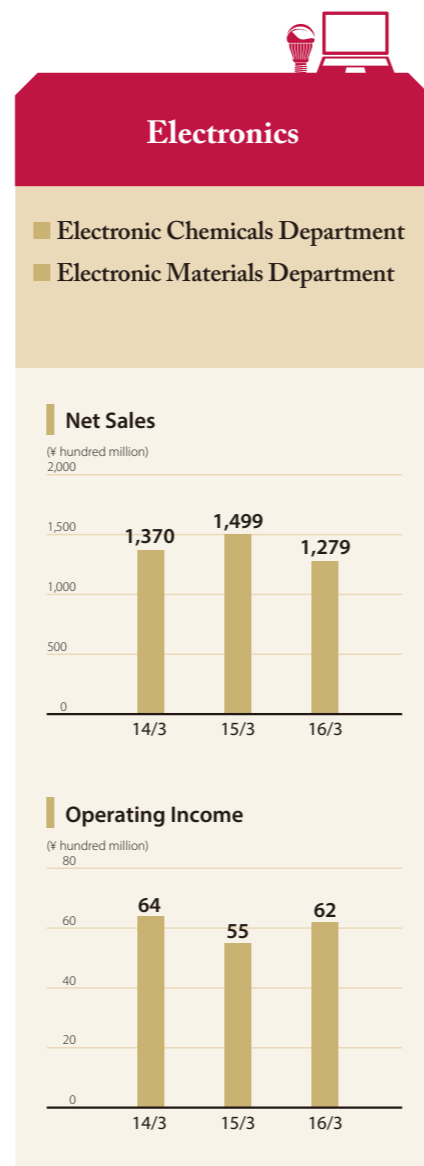
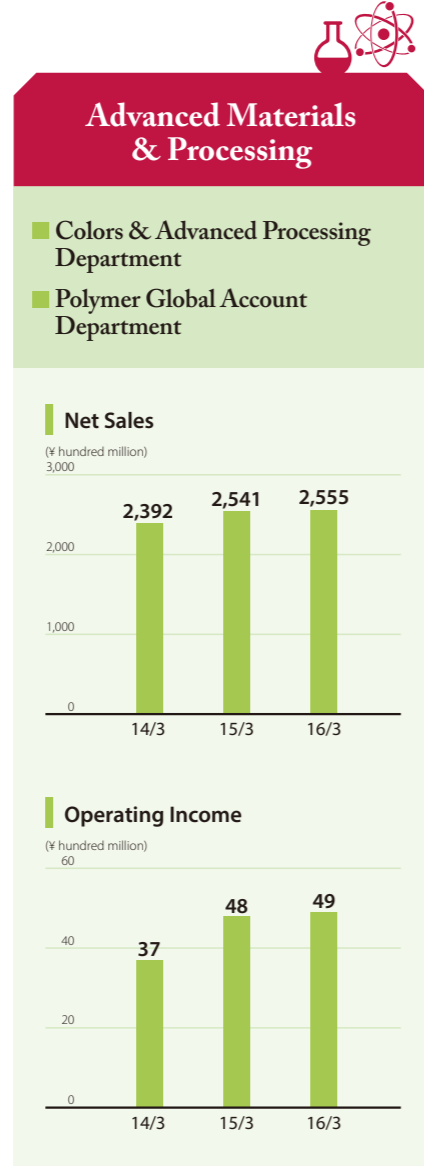
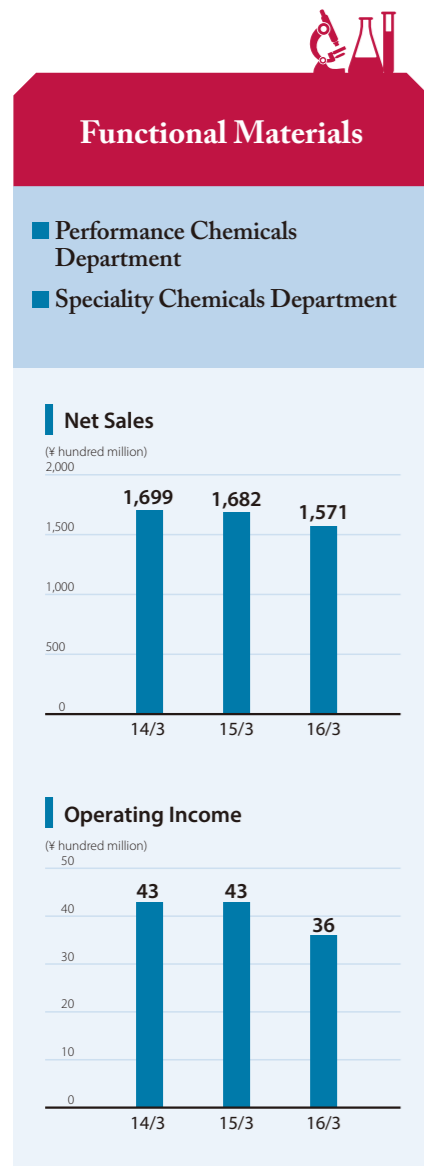
During October 2015, the Group conducted initial response training at the Tokyo Headquarters, Osaka Headquarters, and Nagoya branch office. The training tested the response of the Fire Prevention Headquarters, Self-Defense Squad, Facilities Confirmation Team, Information Systems Team, and Logistics Confirmation Team during a simulated emergency. We also held workshops in June 2015 to discuss issues and improvements related to business continuity plans drawn up by each department.

In the event of a large-scale disaster making the continued use of our Tokyo headquarters unfeasible, we have the option of using the NAGASE Global HRD Center (opened May 2014 in Sendagaya, Tokyo) as a backup office. In August 2015, we conducted emergency training for our self-defense squad.

### Fiscal 2016 Initiatives

As in fiscal 2015, we will continue to conduct emergency response training to improve initial response quality and speed. We will conduct BCP training for the NAGASE Global HRD Center (backup office location) to improve our disaster preparedness and response.

We plan to encourage business continuity planning at all Group sales companies and manufacturing companies to improve the Group's ability to maintain continuity along the entire value chain.





## Performance Chemicals Department

- Major Manufacturers**
- PT. Toyo Quality One Indonesia
  - TIMLE S.A. DE C.V.
  - Guangzhou Kurabo Chemicals Co., Ltd.
  - TQ-1 de MEXICO S.A. de C.V.
  - Toyo Quality One (Guangzhou) Co., Ltd.
  - Light Chemical (Changzhou) Co., Ltd.

## Speciality Chemicals Department

- Major Manufacturers**
- Nagase ChemteX Corporation
  - Nagase Filter Co., Ltd.



GM, Performance Chemicals Department  
**Masaki Komobuchi**

### NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
<b>Paints and Ink Industry</b>	<ul style="list-style-type: none"> <li>■ Organization and personnel specializing in the domestic and overseas paints and ink industry</li> <li>■ Domestic and overseas sales channels</li> <li>■ Unique solutions as a trading company with R&amp;D, manufacturing, and processing functions</li> </ul>	<ul style="list-style-type: none"> <li>■ Growing demand for paints and ink in overseas markets</li> <li>■ Potential for business with local (non-Japanese) customers overseas</li> </ul>
<b>Urethane Industry</b>	<ul style="list-style-type: none"> <li>■ Strong customer pipeline supported by Consultative sales</li> <li>■ Packaged sales of various urethane materials</li> <li>■ Overseas sales network</li> </ul>	<ul style="list-style-type: none"> <li>■ Growing demand for urethane in emerging countries</li> <li>■ Accelerating customer (Japanese companies) entry in overseas markets</li> <li>■ Higher awareness of energy conservation, the environment, and bio-based chemistry</li> </ul>



Executive Officer  
General Executive, Functional Materials Segment;  
GM, Speciality Chemicals Department  
**Yasuhiro Mihara**

### NAGASE Market Strengths and the Business Environment

Strengths	Business Environment
<ul style="list-style-type: none"> <li>■ Strong relationships of trust with customers</li> <li>■ Manufacturing companies within the Group</li> <li>■ Uniquely creative solutions utilizing information from the value chain</li> <li>■ Experience in a variety of diverse chemical products, from general purpose to specialty</li> <li>■ Expert, experienced personnel</li> </ul>	<ul style="list-style-type: none"> <li>■ Greater market globalization</li> <li>■ Restructuring in the petrochemical industry (including biochemicals)</li> <li>■ Increasing need for high-function, high value-added products</li> <li>■ Increasing awareness of environmental issues</li> </ul>

### Fiscal 2015 Strategies and Results

During fiscal 2015, the Performance Chemicals Department engaged in measures to achieve goals in three main areas: (1) Build a stronger domestic business foundation; (2) Strengthen overseas businesses; and (3) Cultivate new businesses.

The year was a challenging one in building a stronger domestic business foundation. Negative external factors included price drops in oil and naphtha, as well as a weak Japanese yen. Despite these challenges, we worked as a unified team to accurately identify customer needs and deliver better services.

Overseas, our contract manufacturing subsidiary in China launched a coatings business in response to increased demand for environmentally friendly water-borne resins. This led to new business opportunities as customers moved to comply with stricter government regulations on chemicals. Our business in India used the coatings laboratory effectively to grow our business in that nation. Our urethane foam manufacturing subsidiary established in China enjoyed the support of strong demand for foam used in furniture and bedding in China. However, excessive competition in the foam business for automobile-related components resulted in weaker performance for these products. Toward building new businesses, we focused on projects to commercialize products and services for VOC\* reduction, HVAC\*\* energy efficiency, and other aspects of corporate social value.

Our department experienced weaker profits due to ongoing declines in oil and naphtha prices, as well as the lower valuation of the Japanese yen on the exchange markets. Stagnation in auto production resulted in weaker performance for auto-related products and services in the Japanese market. In addition to a slowdown in the Chinese economy, our business was also impacted by a lack of activity in the ASEAN market as a whole. As a result, we reported lower revenues and profits.

\* VOC: Volatile Organic Compounds  
\*\* HVAC: Heating, Ventilation, and Air Condition

### Fiscal 2016 Strategies

In fiscal 2016, we plan to pursue initiatives to improve customer satisfaction, working to leverage the NAGASE Group value chain in our downstream strategy to build a stronger foundation for our businesses in Japan. Overseas, we plan to be active in investing and pursuing joint businesses with local partners. As we strive to uncover new technologies to restructure our revenue base, we believe we will find new businesses that will become the pillars of our future growth.

At the same time, we are looking at the implications of major shifts in the supply chain related to Japan's petrochemical industry restructuring, seeking out new business opportunities over the medium and long term through forward-looking sourcing activities overseas. We believe these measures will help us become a department that creates new value by solving issues in the global market, strengthening the NAGASE brand.

#### TOPICS New PatInaLock™ Reactive Paint

Using "rust prevention by rust" is a new concept not found in current anti-rust paint. Based on this concept, we developed a reactive paint that brings a new dimension in maintenance management. We have discovered that we can inhibit the progression of common rust by creating a dense protective rust layer "Patina" with anticorrosion properties on a surface to be coated. This technology was awarded the Special Prize in the 6th Annual Monozukuri Grand Award, sponsored by the Ministry of Economy, Trade and Industry.



### Fiscal 2015 Strategies and Results

The Speciality Chemicals Department focuses on developing high-function raw materials in demand by industries involved in plastics, electronics, automobiles, industrial oil solutions, water processing agents, and more. Despite falling oil prices and a slowdown in the Chinese economy, the Speciality Chemicals Department reported strong results, mainly driven by successful sales of high-value-added products.

In preparation for **ACE-2020**, which will begin in fiscal 2016, we have initiated dialogues with our customers to gauge their opinions on the best future direction for the industry. Internally, we are building risk awareness with respect to our current situation, while at the same time conducting training that emphasizes customer-centric value creation.

### Fiscal 2016 Strategies

Under **ACE-2020**, the motto of the Speciality Chemicals Department is Change and Grow! No Excuses. Guided by this motto, we are working to grow our existing businesses, while restructuring our profit structure from the perspective of customer-centric value creation. More specifically, we intend to create and test a hypothesis for the future of each business, working with our customers, investing in business, and pursuing collaborative ties in building and executing a new strategy (measures). Furthermore, we plan to create new markets by coordinating technologies based on elemental technologies found within our customer base.

We will work more closely with our Nagase ChemteX manufacturing partner, while at the same time generating greater synergies with Nagase Filter.

#### TOPICS Contributing to the Production of High-Quality Films New Denafilter™ plant opened in 2016 (Sakai City, Fukui Prefecture)

Nagase Filter deals mainly in filter sales, metal processing, and cleaning. Denafilter™ is our mainstay product for filter sales. This product is a stainless steel polymer filter used for removing (filtering) foreign particles\* during the production process for films used in LCD panels and other applications.

In June 2016, we opened a new filter cleaning plant at Technoport Fukui. We hope to use clean rooms in this new factory to bolster our ability to develop applications meeting customer needs and to create new businesses for cleaning components other than filters.

\* Clumps of additives in resins and degraded resins, etc.



Colors & Advanced Processing Department

- Major Manufacturers**
- Fukui Yamada Chemical Co., Ltd.
  - Sofix Corporation
  - Nagase ChemteX Corporation
  - Hayashibara Co., Ltd.
  - Totaku Industries, Inc.
  - Kotobuki Kasei Corporation
  - ON Textile Chemicals (Shanghai) Co., LTD.

Polymer Global Account Department

- Major Manufacturers**
- Setsunan Kasei Co., Ltd.
  - Dainichi Color Vietnam Co., Ltd.
  - Majend Makcs Co., Ltd.



GM, Colors & Advanced Processing Department  
**Kusuo Ota**

NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Digital Printing Supply Industry	<ul style="list-style-type: none"> <li>■ Manufacturing bases</li> <li>■ Highly specialized global network</li> </ul>	<ul style="list-style-type: none"> <li>■ Materials and systems development in response to overseas expansion and new round of industry digitalization</li> </ul>
Colors & Additives Industry	<ul style="list-style-type: none"> <li>■ Relationships with top manufacturers, customers</li> <li>■ Expertise in colors and dispersion processing</li> <li>■ Ability to distribute a wide variety of products, small-batch sales</li> </ul>	<ul style="list-style-type: none"> <li>■ Growing demand for dispersion processing and decoration overseas</li> <li>■ Growing relationships with dispersion processing companies</li> </ul>
Polymer Products Industry	<ul style="list-style-type: none"> <li>■ Personnel with international experience and expertise in films, resins, molding, and masterbatches industries</li> <li>■ Relationships with suppliers that have strong product lineups</li> <li>■ Information resources at numerous top-class business partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Diversification and polarization of needs</li> <li>■ Increasing awareness of safety and environmentally conscious products</li> <li>■ Growth of medical, diagnostics, and nursing care markets</li> </ul>



GM, Polymer Global Account Department  
**Koichi Sagawa**

NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Resin Sales Business	<ul style="list-style-type: none"> <li>■ Expanding sales network in Asia and other regions (personnel, offices, logistics bases)</li> <li>■ Wealth of experienced, knowledgeable national staff</li> <li>■ Direct approach to the end user (spec business functions)</li> <li>■ Size and number of transactions with Japanese- and non-Japanese affiliated customers</li> </ul>	<ul style="list-style-type: none"> <li>■ Growing business opportunities in inland China and newly emerging countries in Southeast Asia</li> <li>■ Increasing local spec business</li> <li>■ Business reorganization among suppliers</li> </ul>

Fiscal 2015 Strategies and Results

Our pigments, digital print processing materials, and copolyester resins businesses all reported strong results for fiscal 2015. Profits for inspection systems also improved, owing to orders for large-scale projects. We also saw strong profit performance for manufacturing affiliates, resin sales affiliates, and fiber-related materials sales affiliates, driven by growth in electrical facilities construction. As a result, earnings outperformed both plan targets and prior-year figures. Meanwhile, a slowing mobile device market presented challenges for growth in our functional films business. We also pulled out of the business for in-mold transfer foils for colors and imaging, based on our assessment of the lack of future development prospects. Affiliated companies dealing in thermal paper materials were impacted significantly by a downturn in the market, preventing them from growing profits during the year. We plan to institute aggressive measures next year that should lead to improvement in growth and profits.

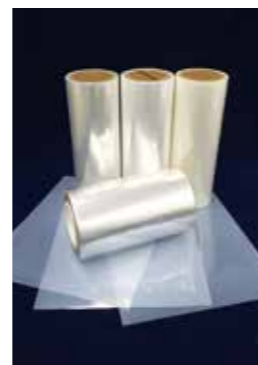
Fiscal 2016 Strategies

Over the medium and long term, we plan to establish more balance among our colors and additives business, functional films business, resin processing business, and digital printing supply business. We believe this will result in businesses that generate profits more efficiently. More specifically, we intend to grow our resins business overseas, expand commercial rights for colors and additives, and work more cooperatively with other Group companies. To build a more sustainable base for future growth, we plan to hire younger employees in greater numbers within the Group.

Guided by our fiscal 2016 medium- and long-term policies, we will work in closer cooperation with Group companies to grow our resins business overseas, to expand sales of strategic products, to secure more commercial rights for colors and additives, to increase our dispersion processing business, and to improve the revenue structure for our thermal business on a Group-wide basis. At the same time, we will identify more areas of potential product and service development. Finally, we intend to sponsor more opportunities for active interchange among the next generation of leaders to strengthen our overall capabilities and cohesiveness as a Group.

TOPICS Film Sheets

Wholly owned subsidiary Totaku Industries, Inc. established a high-performance films and sheets test production center in their Kansai Rinku factory. This center engages in the development of films and sheets offering unprecedented levels of performance. By leveraging the experience, raw materials procurement expertise, films and sheet processing, and other strengths of the NAGASE Group, this center is making great strides in market development, particularly in the food industry.



High-performance films and sheets

Fiscal 2015 Strategies and Results

For fiscal 2015, the resin sales business reported net sales and operating income essentially level with the prior fiscal year.

In China, our in-country demand businesses and inland China business combined for continued growth, contributing to earnings in a significant way. NWP International Trading (Shenzhen) Co., Ltd., Nagase Marketing and Service (Shenzhen) Ltd., and Guangzhou Nagase Trading Co., Ltd. represent our in-country demand, while Shanghai Hua Chang Trading Co., Ltd. represents our East China inland business.

In Southeast Asia, our local entities reported strong sales to non-Japanese customers. In Japan, we were selected as a strategic procurement partner for Japanese-affiliated end users, securing new commercial rights that drove revenues and profits.

Meanwhile, we experienced a challenging year in terms of a drop in prices, which was caused by cheap oil and weak exchange rates in local currencies overseas.

However, we also began doing business with a new supplier, which has served to build a foundation for growth in 2016 and beyond.

Fiscal 2016 Strategies

We view fiscal 2016 as a year to pursue new goals in restructuring our revenue base under the **ACE-2020** mid-term management plan.

Our resin sales business is a core business in our department. Here, we intend to leverage the NAGASE Group network to continue securing commercial rights and expanding our business. By area, we intend to continue strategies for

reinforcing our sales structures in China and Southeast Asia, while also aggressively pursuing new business in areas outside Asia.

We have targeted our compound business for further incubation. In this business, we have plans to improve revenues at affiliated companies and use our considerable accumulation of technologies to introduce added-value products under our own brand name.

We will also focus on our packaging materials business, working with partners to expand in Asia, where the market is particularly promising.

TOPICS Proprietary Denapolymer™ Compound

Wholly owned subsidiary Setsunan Kasei Co., Ltd. launched its own Denapolymer™ brand of products. Denapolymer™ is a result of the company's strengths in resin processing technologies. This new product line features recycled resins that offer unique features in an environmentally friendly format. Today, high sliding polyethylene is receiving significant attention in the market. We expect it to provide differentiation from our competition.

Denapolymer™



## Electronic Chemicals Department

### Major Manufacturers

- Nagase ChemteX Corporation
- Nagase ChemteX (Wuxi) Corporation
- Engineered Materials Systems, Inc.
- Nagase Techno-Engineering Co., Ltd.
- Pac Tech-Packaging Technologies GmbH
- Nagase Engineering Service Korea Co., Ltd.

## Electronic Materials Department

### Major Manufacturers

- Nagase Electronics Technology Co., Ltd.
- Nagase Electronics Technology (Xiamen) Co., Ltd.
- Sun Delta Corporation



Executive Officer  
GM, Electronic Chemicals Department  
**Takahiro Okumura**

### NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Electronic Components (Communication Devices)	■ Epoxy sheet encapsulant materials provide a large share among communication device applications; these materials are based on our own advanced formulation technology.	■ Growth in the communication device market
Semiconductor Industry	■ Technology-based customized solutions offered by Nagase ChemteX and the Pac Tech Group	■ Rising demand in Internet of Things, automotive, and medical devices markets
Display Industry	■ High visibility and advanced technological capabilities in high-grade chemicals and supply and management equipment	■ Growth in display applications
Heavy Electric Machinery Industry (Electricity/Railways)	■ More than 40 years of strong market share in high-performance, highly reliable materials markets in Japan	■ Global increase in infrastructure demand
Energy & Environment Industry	■ Group network capable of extending history of successes in domestic automobiles, aircraft, and wind power generation to overseas markets	■ Growing demand for lightweight composite materials



Executive Officer  
GM, Electronic Materials Department  
**Masatoshi Kamada**

### NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Smartphone and Tablet Businesses	■ Core customer communication capabilities through global bases ■ Brand owner ~EMS~ Components~ Business relationships with material manufacturers ■ Professionals with highly specialized skills	■ While the market is growing, the focus of growth has shifted away from the advanced nations toward the developing nations ■ The wearable device market is still immature ■ Projects launching to build business for the Internet of Things
Touch Panel Industry	■ NAGASE network capabilities focused on East Asia ■ General handling of main materials	■ Intensified competition; expectations for new fields ■ Progress in technological development for new functions
Display Industry	■ Ability to handle many products; high barriers to entry ■ Professionals with highly specialized skills	■ Emergence of Chinese manufacturers; more intense competition in the LCD panel market ■ Expectations for organic EL and flexible displays

### Fiscal 2015 Strategies and Results

In our epoxy business we were able to deliver results for new materials that have become the de facto standard in communication device components and semiconductor applications for smartphones. Sales of epoxy sheet encapsulant materials for applications in smartphone electronic components continued to grow in fiscal 2015. We also launched a new business selling heavy electric materials for use in Japanese infrastructure.

Working in cooperation with overseas manufacturing bases, we began a new business for composites in the Chinese and North American markets. Our photolithography business experienced operational slowdowns in the Japanese display market; however, sales of chemical management equipment were strong, particularly in China. At the same time, the Pac Tech Group, operating in Europe, the United States, and Asia, reported strong results for semiconductor equipment and bumping services.

### Fiscal 2016 Strategies

The Electronic Chemicals Department will be active in building our business, striving to achieve a five-year goal to integrate and optimally allocate technologies among our locations to supply high-value-added products through proprietary NAGASE technologies, contributing to the success of our local communities and customers.

We plan to continue to pursue five target markets as defined under **ACE-2020** for Nagase ChemteX, our core epoxy business: Heavy electrical, light electrical, car electronics, microelectronics, and environment and energy. We plan on proactively establishing development and manufacturing bases

in regions other than China and North America where we already had to grow our business in these target markets.

In our photolithography business, we intend to make a world-wide rollout of Nagase ChemteX's photolithography technologies. We will use a joint venture established in China in 2015 to focus on the Chinese LCD panel market, while at the same time expanding our presence in the promising semiconductor market. The Pac Tech business is continuing its push for localizing its bumping services business in the Chinese market, which is expected to grow in the future.

To further grow our business, we plan to adopt new materials technologies to provide high-function, value-added products that leverage our own unique materials and manufacturing technology.

### TOPICS Global Expansion of Total Solutions based on Proprietary Group Technologies

The Nagase ChemteX epoxy sheet encapsulant materials and photoresist materials, as well as the Pac Tech bumping services, are enjoying mass adoption in high-frequency filter manufacturing processes for core components used in high-performance mobile devices. Rising awareness of the NAGASE Group in these industries has made a significant contribution to our earnings. In fiscal 2016, we will continue to leverage the capabilities of the NAGASE Group to grow our business.



### Fiscal 2015 Strategies and Results

While sales results for silicon wafer manufacturing materials and smartphone/tablet materials were strong throughout the year, stagnation in the LCD panel market and greater competition in lighting components materials led to lower revenues and higher profits. This profit result was mainly due to the recording of an allowance for doubtful accounts at a Taiwanese subsidiary in the prior fiscal year.

We have made progress in shifting production in our glass processing business from Taiwan to China. We plan to expand our business in China by creating differentiation in the market based on our surface processing technology, which has been in development for some time.

In our components business, we are making strides in both lighting components materials and expansion into new products, including lenses and sensors.

### Fiscal 2016 Strategies

We have three defined goals under the **ACE-2020** mid-term management plan: Shift to growth businesses, create business through investment, and exercise true global management.

ICT technologies developed for smartphones and tablets have found applications in other fields as well. The age of the Internet of Things is closer than we imagine, and we believe that borderless initiatives in these new fields will lead to the creation of new businesses over the medium and long term. For fiscal 2016, we are performing particular research into potential new technologies and products for organic EL, cameras and sensors, and car multimedia. We plan to accelerate cooperative tie-ups and investments in other companies. In our existing

businesses, we will focus on initiatives with global-scale brands to grow our smartphone materials and expand our operations in the growing Chinese semiconductor market. We will also work to further develop the value chain around the lens business, building new business models.

### TOPICS Entering the Optics Business in Partnership with Nissei Technology Corporation

Nissei Technology is one of the few global makers of plastic lenses employing superior optics design technologies and precision molding technologies. The company sells a variety of products in the imaging, lighting, and sensor markets around the world. Working with Nissei Technology, we intend to leverage their advanced technologies with our global sales network, growing our mutual businesses and pioneering new markets.



Nissei Technology Corporation

Market-leading plastic lenses produced by Nissei Technology

## Automotive Solutions Department

- Major Manufacturers**
- Sanko Gosei Technology (Thailand) Ltd.
  - Automotive Mold Technology Co., Ltd.
  - KN Plotech America Corporation
  - PT. TUNE Manufacturing Indonesia
  - Tokai Spring Mfg. (Foshan) Co., Ltd.

## Energy Business Office

- Major Manufacturers**
- CAPTEX Co., Ltd.



Executive Officer  
General Executive, Automotive & Energy Segment;  
GM, Automotive Solutions Department, Nagoya Branch  
**Masaya Ikemoto**

### NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
<b>Automotive Interior Industry</b>	<ul style="list-style-type: none"> <li>Understanding design needs based on global partnerships with leading manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Growing business opportunities in North America and Mexico</li> <li>Introduction of new technologies</li> </ul>
<b>Components Industry</b>	<ul style="list-style-type: none"> <li>Close, long-standing relationships with customers</li> </ul>	<ul style="list-style-type: none"> <li>New initiatives for bringing safety, security, comfort, and eco-friendliness to the next-generation car society</li> </ul>
<b>Global Resin Industry</b>	<ul style="list-style-type: none"> <li>Strong global network, including expatriate assignees and local staff. Long-standing relationships with Japanese and non-Japanese suppliers; strong customer base</li> </ul>	<ul style="list-style-type: none"> <li>Growing opportunities in emerging economies (Mexico, inland China, India), global expansion, growing Out-Out business</li> </ul>



GM, Energy Business Office  
**Kiyoshi Sato**

### NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
<b>Battery Industry</b>	<ul style="list-style-type: none"> <li>Ability to handle both batteries/PV and systems/materials</li> <li>The NAGASE Network</li> </ul>	<ul style="list-style-type: none"> <li>Promotional policies for renewable energy; electric power deregulation; new emerging markets overseas; future government subsidies</li> </ul>
<b>PV Industry</b>	<ul style="list-style-type: none"> <li>Ability to handle both batteries/PV and systems/materials</li> <li>Fabless</li> </ul>	<ul style="list-style-type: none"> <li>Promotional policies for renewable energy; electric power deregulation; new emerging markets overseas</li> </ul>
<b>Automotive/Components Materials Industry</b>	<ul style="list-style-type: none"> <li>NAGASE Group sales channels</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction regulations; ZEV (zero emissions vehicle) regulations in the U.S.</li> </ul>
<b>Commercial Facilities Logistics Industry</b>	<ul style="list-style-type: none"> <li>Historically strong connections with the logistics industry from our background in lighting equipment sales</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of social security number/tax number system; Personal Information Protection Act</li> </ul>

### Fiscal 2015 Strategies and Results

In fiscal 2015, we made further strides in integrating our car electronics business in the Japan market, winning more orders for our HEV/EV-related components business. At the same time, we achieved mass production for certain products, solidifying our footing ahead of the new **ACE-2020** mid-term business plan. We saw a downturn in the naphtha market, which significantly affected sales of internal components in our resins business. On the other hand, sales of engineering plastics increased. We incurred expenses in our internal auto components business to get new ventures up and running, which resulted in a significant decline in profits for the business.

Supported by solid sales to Japanese car makers overseas, our overseas business reported good results in China and North America. Among our affiliated companies, the Nishinohon Nagase internal auto components business reported strong revenues, while KN Plotech America Corporation (North American joint manufacturing company) also reported solid results, contributing to earnings on a consolidated basis. As a result, profits were lower, despite net sales level with the prior year.

\* HEV: Hybrid vehicle  
\* EV: Electric vehicle  
\* Engineering plastics: Thermoplastic resins

### Fiscal 2016 Strategies

The direction for the Automotive Solutions Department under the five-year **ACE-2020** plan is to put our current business group on a path toward sustainable growth, while working globally to promote businesses that offer new functions leading to the next generation of mobility society.

The resins business is the foundation of our department. Here, we plan to move forward in our efforts in the United States, Europe, and China, building a broader business among non-Japanese customers. At the same time, we will pursue safety, security, comfort, and eco-friendliness in growing our revenues for engineering plastics and new functional materials for the car electronics business. We intent to market and sell high-performance components that support the transition to electricity.

To build a business structure resistant to naphtha market fluctuations and other external factors, we will pursue a growth strategy in fiscal 2016 that expands the volume of our current mainstay resins business in Japan and overseas. We will also work harder to sell and grow our engineering plastics/car electronics materials operations. In our car electronics business, we will look to market our modular components business in response to needs for heat management, electromagnetic shielding, and higher performance. We will also pursue global acquisitions or equity tie-ups designed to evolve our business model.

#### TOPICS Growth in Manufacturing Joint Ventures in North America and India



**Receiving Numerous Orders of Deck Boards from Auto Manufacturers in the U.S.**

KN Plotech America Corporation (North America)



**Strong Sales of Spoilers to Japanese Auto Makers**

MINDA KYORAKU LIMITED (India)

### Fiscal 2015 Strategies and Results

We experienced a significant slowdown in sales of electrolytic additives to domestic battery manufacturers and raw materials to domestic electrolytic manufacturers. As a result, we only achieved 80% of plan. While our businesses in China and other overseas markets showed positive signs, they were not a significant factor contributing to improved revenues for fiscal 2015. As such, we plan to continue to focus on these markets.

Our storage battery system business underperformed against the plan, mainly due to delays in getting our proprietary electricity monitoring system to market. However, rising interest in energy management solutions and promising signs of demand for compact mobility and robotics led to an increase in test production projects and higher net sales compared to the prior fiscal year.

Our Green Energy business reported net sales growth, mainly driven by sales of overseas PV modules. However, reduced FIT prices for solar power resulted in a dramatic decrease in applications. At the same time, new output restrictions and the weak yen led to soaring purchase costs for overseas modules. The impact of these external factors resulted in sluggish sales for the business.

### Fiscal 2016 Strategies

#### Helping to Build a Smart Society Infrastructure

Bringing Innovation to Housing, Industry, Traffic, IT, and Communications Infrastructure

We created the EBO Vision, aligned with the NAGASE Group branding activities. Beginning fiscal 2016, the optical communications technology development team, which is responsible for the development and sale of LED visible light

communications equipment, will work under the Energy Business Office. This move is intended to bring innovation to our target infrastructure markets and help us develop proprietary systems that link communications devices with current energy management equipment.

The April 2016 deregulation of the electricity retail market in Japan has created new markets. In response, we have begun development and investment in new concepts for Home Energy Management Systems in anticipation of the advent of the Zero-Energy House. We are also engaged in creating and marketing new energy businesses, focusing on building an independent sales and aftermarket network.

#### TOPICS Development of Home Energy Management Systems for Residential Use

Looking toward a fiscal 2016 market launch, we are working with NAGASE Group company CAPTEX Co., Ltd. and major manufacturers to develop a Home Energy Management System that will lead to the realization of the zero-energy house in the residential market.



Life & Healthcare Products Department

Major Manufacturers

- Hayashibara Co., Ltd.
- Nagase ChemteX Corporation
- Nagase Medicals Co., Ltd.
- Kawai Hiryo Corporation
- Nihon Bio Fertilizer Co., Ltd.
- Uma Yasai Farm Corporation

Beauty Care Products Department

Major Manufacturers

- Nagase Medicals Co., Ltd.
- Toyo Beauty Supply Corporation



Executive Officer  
General Executive, Life & Healthcare Segment;  
GM, Life & Healthcare Products Department

Naoki Yasuba

NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Fragrance/ Cosmetics	■ Wide range of activities (from cosmetics to household items)	■ Major Japanese cosmetics firms expanding overseas
Pharmaceuticals	■ Manufacture of highly active injections, formulation development functions	■ Policies encouraging use of generic drugs
Foods/Medical	■ NAGASE Group global network	■ Trust in the "Made in Japan" label
Legal	■ Compliance with global statutes and regulations	■ Policies supporting the Japanese food materials and medical materials industries



GM, Beauty Care Products Department

Masahiro Yoshino

NAGASE Market Strengths and the Business Environment

	Strengths	Business Environment
Direct Sales Industry	■ Our direct sales business boasts a nearly 50-year history, supporting women in business and an organization of nearly 500 Managers (sales agents) who are devoted fans of NAGASE products.	■ Aging population, Internet-based society, health-oriented population and growth of the health industry, safety and security orientation

Fiscal 2015 Strategies and Results

In the third year since the inception of the Life & Healthcare Products Department, our continued focus on food and beverages, cosmetics and toiletries, and pharmaceuticals and medical materials resulted in double-digit growth in net sales and profits for fiscal 2015.

Despite the emergence of competitors in the food materials industry, we have made effective use of our sales agent network and provided valuable technical support services leading to growth in net sales. Our enzymes business achieved plan in both net sales and profits as we answered demand for development projects both in Japan and overseas. In perfume and cosmetics, we significantly outperformed plan as we experienced accelerated sales of the Hayashibara AA2G™ product (whitening) by answering demand from inbound tourists to Japan. Our work to strengthen the development pipeline for our pharmaceuticals business and our expansion in the generics market, in particular, were contributing factors that allowed us to achieve plan targets in this business. In medical materials, we focused on building a more solid business foundation. While we entered the Southeast Asian market and achieved plan targets in terms of net sales, our profit results underperformed plan.

Fiscal 2016 Strategies

In a business environment changing at a dizzying pace, the Life & Healthcare Products Department has set the focus of our strategy on 1) Global shift, 2) Innovation, and 3) Sustainability, aiming to establish **NAGASE as a leading bio company.**

In our food business, we plan to accelerate our operations in functional saccharides (focusing on TREHA™) and enzymes, as we work closely with local markets in application development.

In Fragrance/Cosmetics, we intend to step up our marketing activities by using IT, creating a foundation for establishing NAGASE as a household word in perfume and cosmetics.

In pharmaceuticals, we plan to make further improvements to our development pipeline, raising our sights to expand our business in overseas markets as well as in our domestic ones. In medical materials, our plan is to cooperate with other departments to build a stronger business foundation. We will also bolster our legal and regulatory department, continuing to transition from "defense" to "offense," creating profits by offering proprietary functions not available from other companies.

TOPICS Growing Demand for AA2G™ (stabilized vitamin C) in Japan

The Life & Healthcare Products Department stepped up promotional activities for Hayashibara's AA2G™, capturing demand from inbound tourists to Japan (shopping-sprees, etc.) The whitening effect of AA2G™ has long been recognized by cosmetics manufacturers in Japan and around the world, selected for use in many cosmetics products.



Fiscal 2015 Strategies and Results

Revenues from our direct sales business throughout the first half of fiscal 2015 were strong. In April, we introduced reformulated health foods BM Royal Drink and Belmash R Drink. In May, we launched the new Day Protect Cream, and in September, we reintroduced a new version of NAGASE Cleansing Cream. During the second half of the year, we introduced an updated version of our Tufteep hair restoration product, as well as a completely reformulated luxury cream, Rosemarist. In fiscal 2014, we saw customers limiting their purchase volumes in the wake of the consumption tax increase in Japan. As of fiscal 2015, sales had yet to recover completely. However, strong sales of the reformulated Rosemarist led to profit growth compared to the prior fiscal year.

Fiscal 2016 Strategies

This year marks the 50th anniversary of our direct sales business. In celebration, we plan to hold a number of activities to show our appreciation to our loyal sales agents and customers. To see another 50 years of growth in this business, we plan to take the first step in a new direction this upcoming year. To this end, we plan to introduce five measures: (1) Introduce nbcNet, a new direct-shipping system for Beauty Consultants; (2) Revitalize existing areas through a nation-wide office review; (3) Open new areas and find new customer segments through HQ-led projects; (4) Step up research and product development based on herb science and technology; (5) Expand the use of social networks and mobile devices for greater sales agent efficiency.

We will continue to set our sights on enhancing beauty inside and out, offering safe, quality products and services that help build a society of abundant beauty and health.

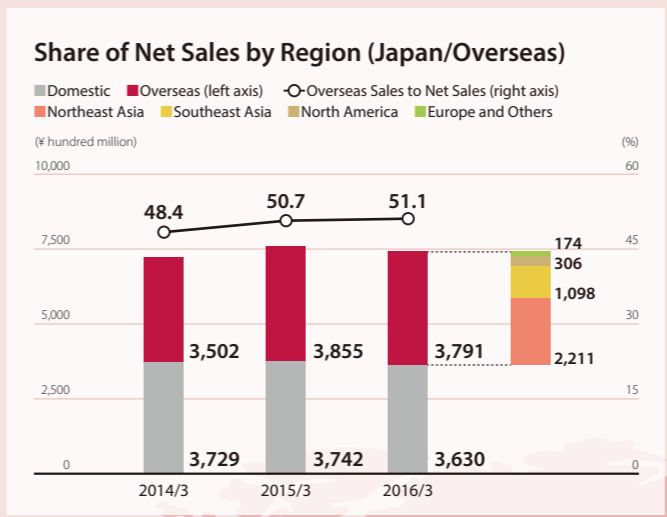
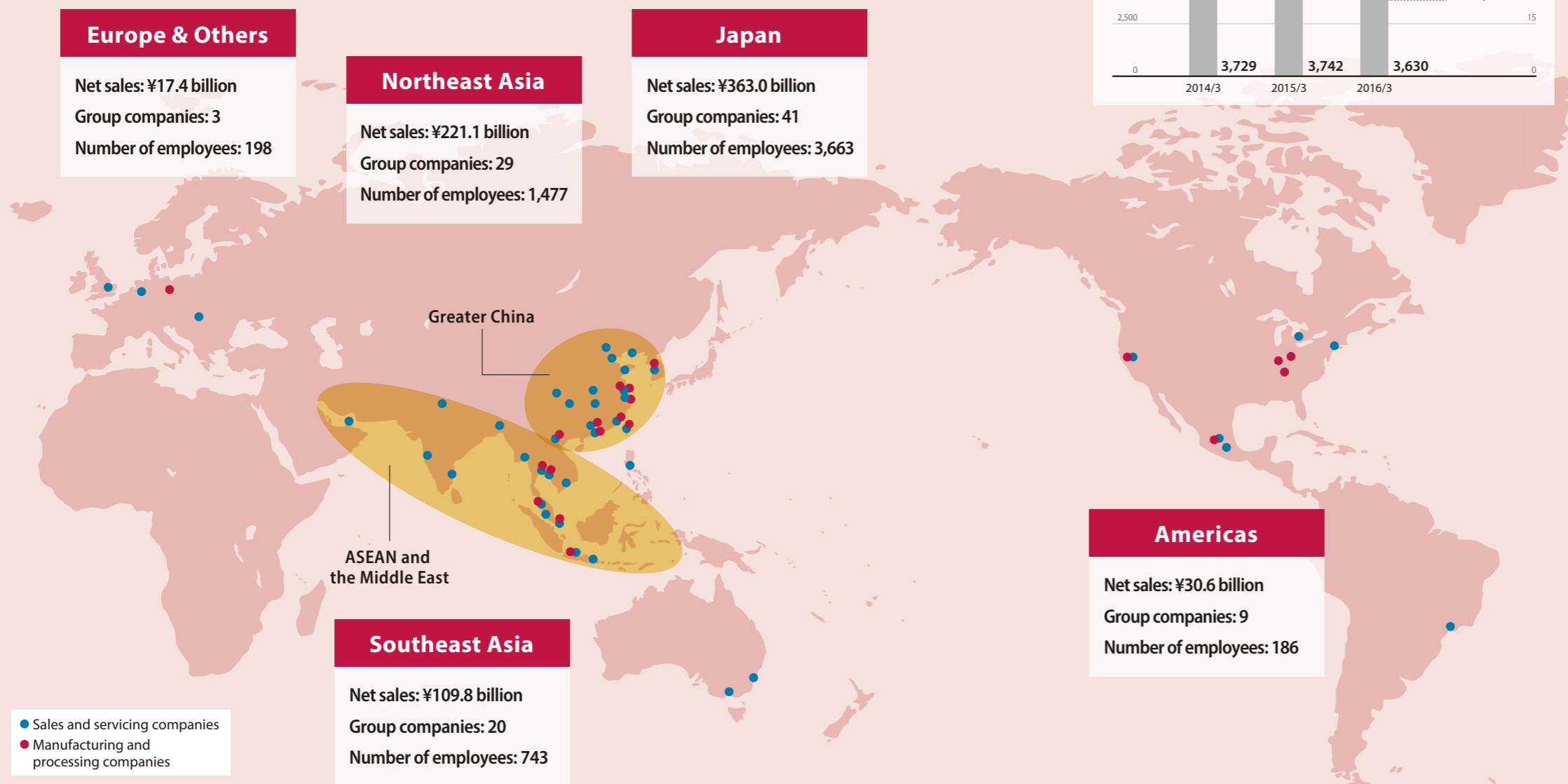
TOPICS NAGASE Rosemarist

NAGASE Rosemarist features a formulation of five rosemary extracts, including fermented wolfberry extract (a new component included in DNA recovery systems) and Rosemary Extract DS (an anti-saccharification agent). With age, the skin's ability to heal weakens. NAGASE Rosemarist cream, the pinnacle of our skin care product line, reactivates this ability to make skin more supple and rich.



NAGASE Rosemarist  
32g  
¥54,000 (including 8% consumption tax)

Built on a foundation of chemistry, the NAGASE Group is engaged in activities around the world that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare segments. These products and services include dyes/pigments, coating materials/inks, surfactants, office automation (OA), electrical equipment, home electronics, automobiles, LCDs, semiconductors, pharmaceutical/medical applications, cosmetics and functional food ingredients. We have grown to become a global technology and information network with 102 companies in 22 countries and 6,267 employees (consolidated) worldwide as of the fiscal year ended March 2016. Today, overseas revenues represents 51.1% of our total business.



# Drive Global Business

# Forward

## Overseas Strategy Under the New Mid-Term Management Plan

Launched in 2016, our **ACE-2020** mid-term management plan defines two pillars for growing and expanding revenues:

- 1 Accelerate globalization
- 2 Improve manufacturing profitability

### 1 Accelerate Globalization

Aim for ¥600\* billion in 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).

\* Figures represent total sales (simple sum) for overseas local entities rather than sales by region.

### 2 Improve Manufacturing Profitability

Creating a scenario and HRD which focuses on overseas market expansion (overseas marketing and production).

Greater China



Executive Officer  
Greater China CEO  
Nagase Business Management and  
Planning (Shanghai) Co., Ltd. COO  
**Katsuhisa Yamaguchi**

Including sales companies, manufacturing companies, branches, and offices, the NAGASE Group has more than 40 locations throughout Greater China (Mainland China, Hong Kong, Taiwan). We work closely with our customers and local markets, creating businesses that originate in or derive from unique local characteristics. At the same time, we create globe-spanning businesses between and among our worldwide locations, building partnerships with prominent companies and leveraging the comprehensive power of the NAGASE Group.

Major Market Trends

The automobile industry in China has continued to experience stable growth as a whole. While the electronics industry remains a central player in the market, intensified price competition and technological trends have resulted in major market shifts. China produces more than 60 percent of the world's office equipment and home appliances. However, soaring employee costs and other factors have caused the supply chain for certain sectors to move to other ASEAN nations, accelerating the China Plus One model. In the energy, environment, food, and other lifestyle-related industries, rising income levels, cultural maturity, concerns of product safety and the environment, and other diversified consumer interests are likely to result in strong growth for businesses that answer domestic demand in China. The Chinese market for semiconductors and other high-tech industries is also likely to grow even further.

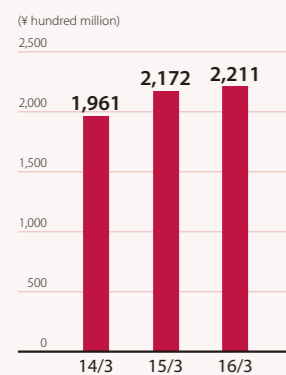
Fiscal 2015 Results

While sales of plastics and other products for automobiles grew on the whole in fiscal 2015, component sales for smartphones, tablets, and notebook PCs struggled due to the impact of market changes for certain products. Nagase ChemteX Corporation improved its ability to respond to demand from major customers in the Chinese market. These improvements included a new joint venture to develop applications for formulated epoxy resins and to conduct chemical sales. We reported strong sales of Hayashibara products (TREHA™, etc.). In Shandong, we entered into a joint investment with Kyoraku Co., Ltd. (manufacturer of food packaging pouches and trays that allow microwave heating) and Tianjin Nagase International Trading Co., Ltd. This venture has already entered into the domestic Chinese market, and we expect to see tremendous synergies with TREHA™. Our Shanghai regional headquarters is working in a joint project with a Japanese-affiliated company to launch new businesses in the environmental fields, including volatile organic compounds and soil contamination.

Fiscal 2016 Strategies

We bolstered initiatives with our main suppliers in our resin sales business, continuing to expand sales in the Chinese inland market. We are also developing decorative/functional materials to sell to non-Japanese customers in the automobile industry. In electricity and electronics, we are using our development and manufacturing functions locally to expand application development and sales to local customers. At the same time, we have identified five fields in which we will target research and development activities: flexible displays, car electronics, security, auto chassis, and glass processing. In semiconductors, which are expected to see even greater growth in the future, we have accelerated the roll out of functional materials (mainly NAGASE Group products) looking toward establishing local R&D and production functions. In functional materials, we plan to use a joint contract manufacturing plant operated with Light Chemical Industries to introduce raw materials and OEM projects reflecting trends in the industry toward water-based coatings. Meanwhile, we will work to expand sales of TREHA™ and other Hayashibara products in our food business. Utilizing this sales network, we will also offer food materials and packaging materials to our customers. For businesses targeted as Growth businesses, we intend to introduce Japanese technologies and functional materials offering safety and security. In the medical field, we plan to build a network that can offer medical materials and services.

Net sales



\*Includes figures for Korea.

TOPICS Focus on Semiconductor Business

In Shanghai and Taiwan, Pac Tech-Packaging Technologies GmbH opened a semiconductor and electronic component equipment lab, creating a technology services structure for customers in those regions. As the Chinese pursue a national policy to expand the semiconductor market, we formed a GC semiconductor project team led by Shanghai Nagase Trading Co., Ltd. and Nagase (Taiwan) Co., Ltd. This team is working on establishing an R&D center and local production, looking to accelerate the pace of functional materials sales, mainly for NAGASE Group and partner products.



ASEAN and the Middle East



ASEAN - India CEO  
**Takayuki Masuda**

The economy of the ASEAN region is growing in a significant way, driven by events such as the launching of the AEC (ASEAN economic union), expectations for TPP to go into effect, and the movement toward economic growth in Myanmar. In the Middle East, our Dubai office is becoming an increasingly important gateway into the region as the African economies expand and the United States has terminated economic sanctions against Iran, an economic giant in the area. This region boasts a large population and a growing number of nations with an expanding consumer base. We plan to manufacture and sell chemicals, synthetic plastics, and other products to Japanese-affiliated companies in the region. At the same time, we will grow the sales of Hayashibara-manufactured additives, which are perfect for food and lifestyle material applications here.

Major Market Trends

One of our major customer bases is in the automobile industry. Here, we experienced a challenging year in the Thai and Indonesian markets. However, more companies are moving their production centers out of China due to soaring personnel costs. As a result, the electricity and electronics industries in Vietnam, the Philippines, and Malaysia are experiencing a period of prosperity. Major companies across a range of industries have established research and development centers in Singapore, which is becoming an ever-more important location for the introduction of regional technologies. Expectations are also on the rise for India as a production center, as evidenced by the "Make India" promotional campaign. Both Myanmar and Iran have histories of major economic expansion. As these two nations emerge from economic sanctions, they are expected to be two major drivers of the future regional economy.

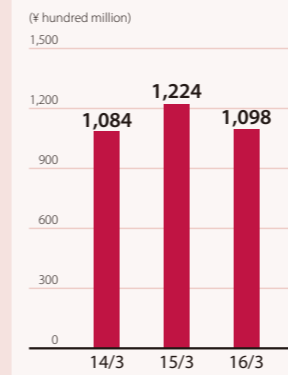
Fiscal 2015 Results

The economy in China has had a significant impact on the economy of the ASEAN region. The uncertainty of China's economic future, however, has led to sluggishness in automobile production and sales. On the other hand, performance gains in the growth nations Vietnam and the Philippines, as well as a strong efforts in the synthetic plastics business in Malaysia, were positive signs of future growth during the year. We established ROC, Regional Operation Center since 2012 and it has been developing cross regionally such as the sourcing of chemical products from China and India. Regional business development in the packaging industry has progressed as well. The Center was also successful in customer development for our food additives business, actively participating in expositions and holding technical seminars. The more mature markets of Singapore and Thailand served as hubs for intra-region operations.

Fiscal 2016 Strategies

As the global economy changes seemingly moment to moment, we believe that our region is becoming increasingly important as a consumer and production center. To further strengthen our customer base, we intend to improve our procurement functions from China, ASEAN, India, and the Middle East, significantly expanding our business within the region. We expect to see further internal demand growth in the region, and in response, we plan to strengthen our ties to leading companies in each nation. As one example, our manufacturing and sales business for insulating panels, which answers needs in the livestock industry for cost reductions and high efficiency, is enjoying growth as our leading customers expand into neighboring countries. As we roll out this successful model into lateral regions, we create a business with a recognized presence across the region.

Net sales



TOPICS Creating New Businesses out of Singapore

In Singapore, our buy-sell business model has become less feasible with the move of manufacturing sites into neighboring countries. In response, we have shifted to a new regional strategy of building new businesses through investment in local technology innovations. In July 2015, we invested in ACM Biolabs Pte Ltd. to gain a foothold in an emerging business field. ACM is the first company in the world to develop an artificial cell membrane protein. This technology is a promising platform for pharmaceutical drug development, vaccines, and consumer care product applications.



ACM Strategic Model

## Europe



Executive Officer  
Nagase (Europa) GmbH CEO and COO

**Mitsuru Kanno**

Europe is home to numerous leading global companies and research institutes that conduct new technology and product development for the automobile, cosmetics, and electronics industries. NAGASE is working to create new business opportunities by working with global corporations and research institutes, focusing on the products and technologies of NAGASE Group manufacturing companies.

◎ **Major Market Trends**

Highly concerned with the environment and safety, Europe leads the world in developing technologies and products sensitive to safety and environmental issues. This region is also a leader in associated laws and regulations, including REACH and others. Nagase (Europa) provides solutions committed to the environment and safety.

**Fiscal 2015 Results**

During fiscal 2015, our thermal paper and chemicals businesses felt the impact of competition from cheaper Chinese products and stricter EU environmental and safety regulations. We did, however, make progress in initiatives to build our environment- and safety-oriented business in cosmetics, foods, pharmaceuticals, and car electronics.

**Fiscal 2016 Strategies**

Our medium- and long-term policies call for two main strategies: (1) Transition to a business model based on the needs of the European markets and (2) Focus resources on cosmetics, food, electronics, and automobiles as our main target industries. During fiscal 2016, we intend to strengthen the following three areas to grow our businesses:

**1. Portfolio Strategy**

Step up development activities, particularly in the cosmetics and food industries

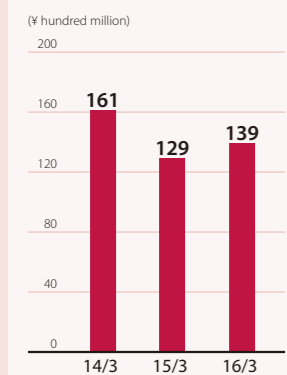
**2. Accelerating Global Business**

Work more closely with Pac Tech-Packaging Technologies GmbH and other Group companies to find technologies and companies available for acquisition

**3. Build a Stronger Foundation for Operations**

Share management messages and improve business infrastructure to strengthen sales and marketing functions

**Net sales**



■ **TOPICS** Providing Solutions Tailored the Market

In Europe, NAGASE is taking advantage of our network among research institutes to create market-based solutions for the cosmetics, foods, and other major industries. Hayashibara Co., Ltd. is receiving more attention in the region based on the company's product safety and activities for promoting new product applications. These products and activities have led our customers to develop their own products in turn.

## Americas



Nagase America Corporation CEO and COO  
Nagase do Brasil Comércio de Produtos Químicos Ltda. CEO  
Nagase Enterprise Mexico S.A. de C.V. CEO

**Ryuichi Uchida**

The NAGASE Group has three local entities (six locations) and six Group manufacturing companies operating in the Americas. We expect stable growth to continue in the United States, with Mexico garnering more attention as a manufacturing center, and South America holding potential for future business. Over the past three years, we have added a number of Group manufacturing companies, and we continue to bring on more employees.

◎ **Major Market Trends**

The steady and growing automobile industry has surpassed 17 million vehicles sold in the United States. Meanwhile, development for eco-friendly automobiles (EV, HV, etc.) advances at a rapid clip. We plan to focus more on our car electronics business, which is one of our strengths in this region. We have also turned our attention toward food materials in response to trends in healthy lifestyle changes. Here, we are strengthening our marketing activities in both North and South America.

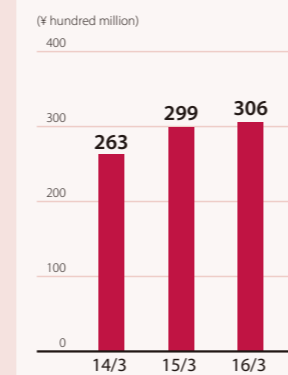
**Fiscal 2015 Results**

While our mainstay automotive solutions and electronics businesses experienced sluggish sales for the year, we launched new businesses in the specialty chemicals and coating materials fields. We are also making progress in developing new applications through tie-ups with local Group manufacturing companies, expanding sales of products under our own brand name. Further, investments in projects designed to become core businesses of the future have showed promising signs.

**Fiscal 2016 Strategies**

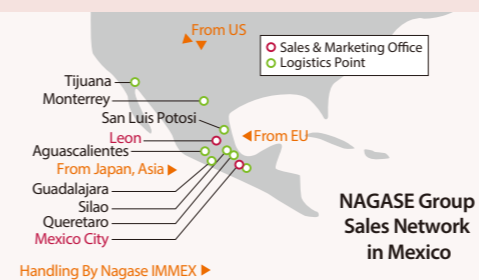
Moving forward, we plan to revise our business portfolio strategy, concentrating resources on businesses deemed Focus businesses. We also plan to create new businesses by growing our presence in emerging markets, stepping up our marketing for Group products, and making effective investments. In so doing, we expect to make a transition in our profit structure to achieve sustainable growth. We will establish a regional headquarters for the Americas to provide business development support. We will also provide a more robust shared services function for Group companies within the region. As we strengthen ties among Group companies, we will treat the Americas as one market. At the same time, we intend to grow our business and strengthen operations by tailoring operations to local customs and business practices.

**Net sales**



■ **TOPICS** Focus on Mexico

As Japanese automobile companies continue their push into Mexico, we have expanded our sales center in Leon, Mexico to strengthen our product supply infrastructure. We also plan to offer new solutions, utilizing the manufacturing functions of local joint venture partners.



## Korea



Nagase Korea Corporation CEO and COO

**Takeshi Takada**

Korea represents an important market internationally. An export-based economy, Korea's top corporations now outshine their Japanese competition, achieving remarkable growth through globally oriented, speed-based management practices. Korea is positioned with superior access to the EU, U.S., China, and ASEAN due to free trade agreements, and Korea has a history of success in entering emerging markets.

◎ **Major Market Trends**

Mass production for ultra-high speed memory has begun in the semiconductor industry. Changes in the global IT market based on 3D memory technology have led to the foundation of a new stage of growth through technological capacity. The expanding adoption of OLED\* in smartphones has served to maintain Korea's influence in the display market, where the nation holds a 95 percent share of small and medium format screens. Korean brand strategy has captured a growing share of the U.S. and Chinese markets in the auto industry, while the country is also looking to Mexico, the leading production center in Central and South America.

\* OLED: Organic Light Emitting Diode

**Fiscal 2015 Results**

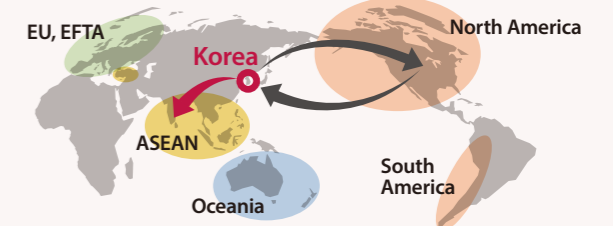
Our automobile decorative parts and plastic materials export business grew in fiscal 2015, driven by favorable business conditions in North America. Meanwhile, the automobile parts import business also grew, contributing to our profit. In electronics, sales of NAGASE Group smartphone and display device components experienced significant growth. In addition, semiconductor materials deliveries grew, owing to the strong business for memory.

**Fiscal 2016 Strategies**

Our goal is to contribute to the profits of the NAGASE Group by creating and growing Korean-led businesses. In addition to our businesses in automobiles and electronics, sales for Life & Healthcare products (particularly Hayashibara products) are expanding. Focusing on these products, we plan to strengthen ties with NAGASE local entities around the world, seeing a future where we introduce Korean-led businesses to worldwide markets. In particular, we have focused on North America and the emerging market of Vietnam and build share in these markets by leveraging the strong competitive ability of Korea's companies to build share in these markets. We will continue to pursue business in car electronics, flexible display panels, and next-generation semiconductor packaging, which we believe will be the engines driving future growth.

■ **TOPICS** Use FTA to Grow Business Originating in Korea

Our share of NAGASE Group products has increased, accounting for nearly 40 percent of our profits. In particular, we have obtained certification for materials to be used in promising projects in the semiconductor and food industries.





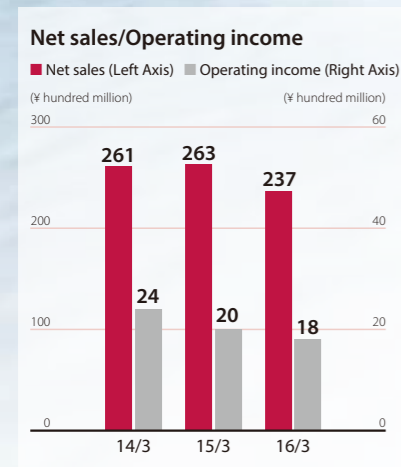
# Main Manufacturing and Processing Functions

## Nagase ChemteX Corporation



Nagase ChemteX Corporation  
Representative Director and President

**Akihiko Isono**



### Fiscal 2015 Results

Net sales for fiscal 2015 amounted to ¥23.77 billion (10% year-on-year decrease), while operating income came in at ¥1.82 billion (11% decline). This decline in revenues was mainly due to the transfer

of our pharmaceuticals business last year and changes we made in sales channels for our chelates business. Profits were lower mainly due to price downturns for display materials.

### Production Systems

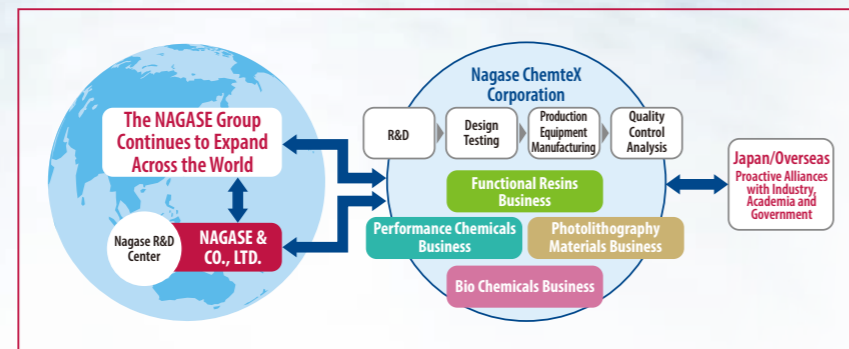
With the goal of improving the safety awareness of all employees, we began an official safety awareness training program during fiscal 2015. To date, more than 200 individuals in Nagase ChemteX and nearby companies have received training. To reduce factory energy costs and CO<sub>2</sub> emissions, we have adopted and operate high-efficiency freezers and underground hydrothermal heat pumps, engaging in activities to understand and improve our energy unit costs. Further, we are investigating the adoption of sludge reduction equipment to reduce the cost of waste water processing from our factories.



Nagase ChemteX Corporation occupies the central role in NAGASE Group manufacturing, leveraging our long-accumulated proprietary technologies in synthesis, compounding, biotechnology and evaluation. We are a chemicals manufacturer offering a unique line of products and posting a high share of the market in niche categories. By creating deeper expertise and integrating core technologies, we are able to develop products that meet the needs of our users. As we build on our foundational technologies, we continue to add high functionality and differentiation to our products in niche markets, building stronger relationships of trust with our customers. This trust drives us to continue to create high-function, high value-added products and services for our customers in the electronics, environment, energy, and biotechnology fields. In addition, Nagase ChemteX plays a lead role in production technologies, safety, environmental compliance, quality assurance, and regulatory compliance for Group manufacturing.

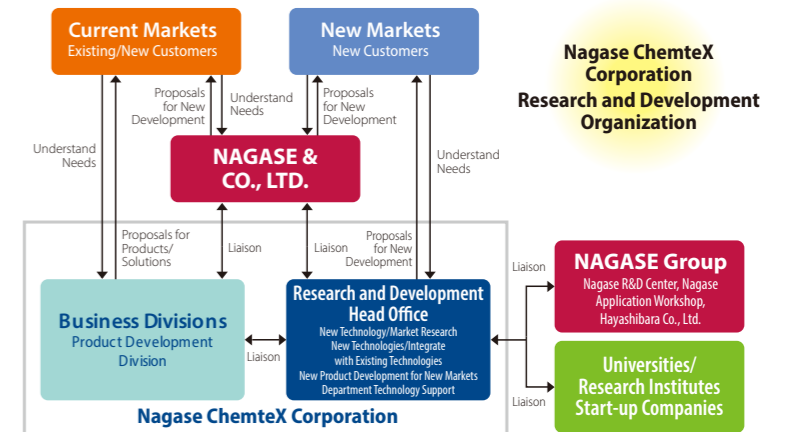
### Major Market Trends

The electronics field experienced significant growth for the year, pushed by an expanding smart-phone market and related needs for small- and medium-sized high-definition displays and electronic components. However, the large-format TV business experienced challenges in the domestic markets due to the emergence of Chinese, Korean, and Taiwanese manufacturers. For automobiles and other transport-related equipment, our response to demands for weight savings and environmental considerations will likely lead to increase in plastic materials usage, for which we can expect future growth. The introduction of a government-mandated functional foods labeling program has presented an opportunity for enzyme production in the food field.



### Research and Development Organization

Currently, we employ a total of 160 staff who work in departmental product development or at our Research and Development Head Office. Staff working at our Research and Development Head Office are responsible for creating new businesses. Our division product development departments work closely with customers to understand their needs, quickly developing new products and improving existing products. The Research and Development Head Office coordinates with entities through the NAGASE Group, analyzing technology trends and noting market needs. This office also pursues joint development projects with universities and research institutes to find emerging business opportunities. During fiscal 2015, the Research and Development Head Office made breakthroughs in a number of medical materials and additive manufacturing technologies intended for commercialization.



### Fiscal 2015 Operations

#### Functional Resins Business

The Functional Resins Business is engaged in product development and production based on advanced formulated epoxy technologies. Sales of resins for use in hydrogen fuel cell tanks in fuel cell vehicles, heavy electrical products, and sealants for car electronics grew for the year. Sales of sheet encapsulation for hollow package for high-frequency devices (1) and sealants for displays grew significantly, contributing to overall revenue growth.

We also installed new equipment and began production for solid epoxy for heavy electrical applications (CT200). (2) During the fourth quarter, we began sales of liquid molding compound based on a new application (3) with the intention of creating a new packaged application.



Photo 1: Sheet encapsulation for hollow package  
Photo 2: CT200 Production Equipment  
Photo 3: Liquid molding compound

#### Photolithography Materials Business

In our Photolithography Materials Business, we are leveraging our storehouse of technologies and expertise to develop products and manufacture chemicals for photolithography. The display market was slow throughout fiscal 2015. As a result, revenues for processing chemicals for LCDs were lower, mainly at our Sakai Factory where this is a mainstay product. Our photoresist products enjoyed adoption for use in lift-off and masks. Unfortunately, we experienced delays in getting new products into the market. Meanwhile, adoption of stripping agents has progressed in Taiwan and China. In response where we are preparing our local production bases to meet local demand for next year.



Stripping Agent Production Facilities in China

#### Performance Chemicals Business

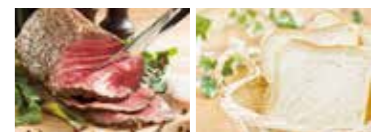
In our Performance Chemicals Business, we were able to expand our offerings of functional materials based on unique organic synthesis technologies, polymer synthesis technologies, and a variety of formulation technologies. For epichlorohydrine conductors, we have developed new formats using our proprietary synthesis technologies in low chlorine/ low-elastic epoxy, low-chlorine/heat-resistant epoxy, and polyfunctional/fully water-soluble epoxy. Here, we are looking to introduce applications for electronics materials, as well as for water-based coatings and adhesives. In organic/non-organic hybrid materials we have succeeded in developing properties of transparency, heat-resistance, and durability into the materials themselves. We have also successfully added high performance characteristics through combinations with nano materials, ready for incorporation into new applications. Our lineup of Denatron conductive polymer coating materials includes anti-static and highly conductive versions, placing us in a position to actively pursue applications for touch switches and conductive fiber.



Current Testing Conductive Fiber

#### Bio Chemicals Business

The Bio Chemicals Business manufactures and sells our proprietary enzyme products, mainly to customers in the food industry. We continue to focus on developing products for use in breads, meat tenderizing, and other food applications. We also propose value-added ideas to our customers to grow sales in Japan and overseas. We will also work to improve profits by finding greater production efficiencies in our mainstay products.



### Fiscal 2016 Strategies

Nagase ChemteX has divided the five years of the **ACE-2020** into two phases. The first two-year phase will be one of improving and strengthening our fundamental condition as a business. In the latter three-year period, we plan to accelerate the pace of new business and new product development. Throughout the five years of the **ACE-2020** plan, we intend to optimize our business portfolio, as well as expand and strengthen our profit structure. At the same time, we will instill the **ACE-2020** mindset throughout our organization,

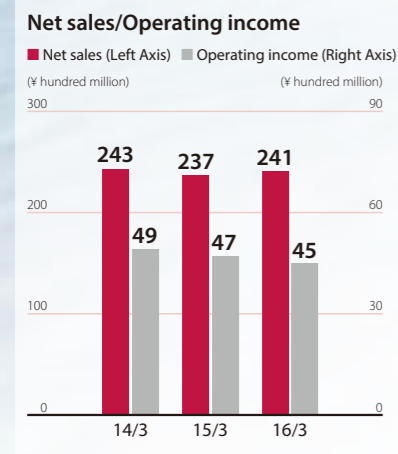
working to reinforce the foundation of our management operations. Fiscal 2016 will be the first year we work under the guidance of the **ACE-2020** plan. Operating under a division system will allow us to centralize revenue management under each division, clearly identifying revenue structures, reducing costs, and merging/divesting unprofitable products. We will also train our employees to have a greater sense of initiative, while improving operations safety, production technologies, and quality assurance as we focus on creating new businesses.

# Hayashibara Co., Ltd.



Hayashibara Co., Ltd.  
Representative Director and President

**Osamu Morishita**



Our business is divided mainly into two categories. Our functional saccharides business leverages biotechnology to manufacture and sell functional saccharides, including food materials (TREHA™, Hayashibara Hesperidin S, and Fibryxa™ (isomaltodextrin)), cosmetics materials (AA2G™, stabilized vitamin C), and pharmaceutical materials (maltose). Our Fine & Wellness business utilizes organic synthesis technologies to offer products in commercial photography and display, as well as pharmaceuticals (LUMIN™-A) and other products in the life sciences field. To be more global, we intend to strengthen new materials development and new product development in parallel. At the same time, we will establish a reliable global supply system for high-quality products, promoting food safety and quality assurance in line with global standards.

◎ Major Market Trends

Our B to B customers give our products high marks not only for their physical properties, but also for their functionality. Our product line extends widely from the food and cosmetics markets to the medical and industrial fields. In our food business, we have been proactive in creating a systematic review process necessary for compliance with the rules for Food for Specified Uses and the rules for Food with Function Claims, which came into effect in April 2015. This is just one of the ways in which we are building a support structure for our customers. Japanese products have a reputation for reliable quality in overseas markets. In addition to this reputation, we offer added value to our customers through protected intellectual property and expertise in our products. We will continue to work together with academia and our clients to conduct advanced research and development in applications for our saccharide products in the pharmaceutical and medical fields.



TREHA™



Hayashibara Hesperidin S

Fiscal 2015 Results

Net sales for fiscal 2015 outpaced prior-year by 2%, reaching ¥24.18 billion. These results were mainly due to aggressive market development in Japan and overseas and an increase in inbound tourist demand. Meanwhile, operating income decreased 6% to ¥4.51

billion, mainly due to temporary cost increases to stabilize product quality in connection with operations at our new plant and temporary cost increases associated with adopting the consolidated taxation system.

Production System

We began operations of two new plants to replace the former Okayama Plant I, establishing systems to supply products reliably and safely through state-of-the-art manufacturing facilities. We are moving ahead with plans to build an additional 10,000 tons of capacity at the Okayama Functional Saccharide Plant, T Building, which manufactures TREHA™. The new addition should be ready for operations in late 2016.

In addition to making advances in manufacturing process improvements and energy efficiencies through our own engineering methods, we have also adopted quality control systems based on FSSC22000, ISO9001, and GMP. To answer customer requests from overseas, we are making progress toward Kosher and Halal certification.



New Okayama Plant I



Okayama Functional Saccharide Plant, S Building



Okayama Functional Saccharide Plant, T Building

Research and Development Organization

Microorganism screening derived from years of expertise and new research efforts have put us on the course to developing purpose-driven research into new enzymes and the development of new saccharides using enzymes. We collect evidence about market needs through our own survey system, working closely with our customers to bring new products and applications to the market quickly. Meanwhile, we are active in registering our intellectual assets, building a structure that allows our customers to use our products with confidence. At the same time, we are pursuing strategies in intellectual property protection and licensing. We plan to work even more closely with Nagase ChemteX and the Nagase R&D Center to leverage the specialties of each in advancing research and development.



Research and Development center

Fiscal 2015 Operations

Saccharides Business

The entire company pulled together in preparing the launch of the new saccharides plant. In November, we introduced the first new Hayashibara product, Fibryxa™ (isomaltodextrin), manufactured at this plant. The Japanese food industry is our core market. Here, demand has been very strong for our mainstay TREHA™, SUNMALT™, and HALLODEX™ products. Meanwhile, the market has recognized the antioxidant effects of the high-performance Ascofresh™, as well as the neutral lipid reduction and improved blood circulation effects of Hayashibara Hesperidin S. We are gratified to see more cases of adoption of these products in their respective markets. In livestock feed, nursing care meals, and other applications where products contain TREHA™ compounds, we see an accelerating accumulation of evidence testifying to the effects of these products.

The market for overseas food businesses is expanding, attracting the entry of several Chinese manufacturers.

In the perfume and cosmetics field, inbound tourist demand is strong, while our efforts in intellectual asset and pricing strategies have worked synergistically to increase business overseas. In the medical and pharmaceutical fields, we are making progress in developing an anti-adhesive agent for use with highly purified trehalose.



Soluble Dietary Fiber Fibryxa™



Press conference announcing Fibryxa™



Hayashibara exhibit at Medicare Foods 2016

Fine & Wellness Business

While sales of photography and printing plate and other dyes for commercial use decreased for the year in the Fine & Wellness business, sales of in-vitro diagnostics and other life science products were strong. We expect future growth in sales of polarizer and other dyes for use in displays. Here, we are increasing production, even though we have yet to complete the mass production development stage. Meanwhile, sales of LUMIN™-A experienced an overall decline for the year, although stronger cooperation with sales agents has led to a recovery.



LUMIN™-A

Fiscal 2016 Strategies

Under the ACE-2020 mid-term management plan, we are pursuing a basic strategy of pursuing clear growth markets and regions globally. More specifically, we are moving forward with new application development in worldwide for TREHA™ in response to increased production capacity for this product. In addition, we are expanding our product lineup in growth markets overseas. We are also making advancements in developing applications for our core functional products, including Fibryxa™, Hayashibara Hesperidin S, and Ascofresh™, preparing to introduce them to appropriate markets overseas.

On the production front, we are shoring up our technology development and production centers in Okayama, while researching the potential for overseas production from the standpoint of consistent raw materials procurement and competitiveness.

Our highly original materials research is the DNA of our company. Based on our capabilities here, we plan to further deliver added value combining our own materials, utilizing government-academic-industry projects, and contributing to a healthier and happier society.

# Major R&D Functions

## Nagase R&D Center



Division Manager, Research & Development Center  
**Liu Xiaoli**



Nagase R&D Center



Source: Description of streptomyces coelicolor, Online Digital Atlas, The Society for Actinomycetes Japan

The Nagase R&D Center serves to provide biotechnology research and development functions for the NAGASE Group as a whole, bridging the NAGASE Group trading company and manufacturing hybrid business model. Our mission is to develop proprietary actinomycetes technologies to bring safe, secure, eco-friendly chemicals and materials to fruition through biotechnology process innovation. In doing so, the Center will continue to create the seeds of new businesses not yet conceived of in our current operations. The watchwords of the R&D Center are “*unique, independent, and innovative.*” Guided by this motto, we pursue research and development activities that provide value to both NAGASE Group affiliated companies and our customers. This type of value is distinctive of the research and development function within the traditional trading company model.

### ◎ Main Functions

- Proprietary biotechnology development functions integrating advanced technologies and academic knowledge across a wide range of fields (N-StePP™: Nagase Streptomyces Technology for Precious Products)
- Planning and development functions leading to new businesses that make possible the use of biotechnologies for the efficient production of useful substances with low environmental impact (Field: Biochemicals, functional materials)
- External Biotechnology assessment, adoption functions

### ◎ Technologies

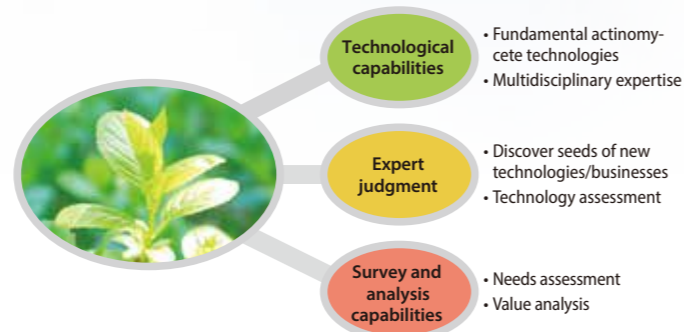
- Fundamental Technologies: Genetic engineering, metabolic engineering, fermentation engineering, bioprocess engineering, bioinformatics
- Core Technologies: Materials production technologies using actinomycetes, strain improvement technologies utilizing metabolic engineering

### Achievements in Fiscal 2015

- Using microbes to produce natural UV absorbers (patented)
- Publication of a paper explicating the UV-absorbing mechanisms of UV-absorbing substances
- Publication of a paper on the enzyme preservation effects of new betaine compounds
- Authorship of a publication on functions, production methods, and applications of phospholipids
- Feasibility study on the production of anti-aging cosmetics ingredients utilizing actinomycetes
- Methods for producing proteins as electronic materials utilizing microorganisms

### Fiscal 2016 Strategies

The Nagase R&D Center is dedicated to creating a sustainable world where people live with peace of mind. To this end, we develop value-added materials utilizing proprietary microorganisms, based on multidisciplinary fields in synthetic biology. At the same time, we continue to propose new ideas to commercialize these technologies, planting seeds that we hope will one day become new businesses. In fiscal 2016, we plan to strengthen ties with universities and outside research institutes in order to be able to take the lead in discovering seeds of new business, quickly conducting validation and feasibility studies of new concepts guided by surveys of customer needs. This will lead to the creation of even more new development concepts for our department to pursue. We are prioritizing productivity increases for our current development of an anti-aging ingredient, working with affiliated departments in the Group to commercialize this technology as quickly as possible.



### Intellectual Property Administration and Usage

The intellectual property team within the Nagase R&D Center secures the outcomes of research and technological development activities in the Center as intellectual property. At the same time, the team proposes patent strategies for use in future businesses, conducting research and development as business strategy. The team will work with the Intellectual Property Office to manage and utilize NAGASE Group property, securing patent rights and coordinating strategically with departments at our affiliates.

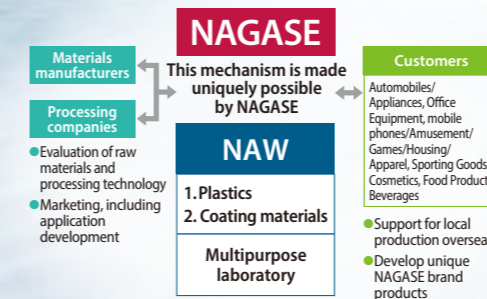
	Fiscal 2015		Cumulative Total (to Fiscal 2015)	
	In Japan	Overseas*2	In Japan	Overseas*2
Patent applications*1	7	5	875	433
Patents*1	1	0	200	208

\*1 The number of patents under the name of the Nagase R&D Center. Licenses and other intellectual property rights are not included.  
\*2 Figures include applications for international patents.

## Nagase Application Workshop



GM, Nagase Application Workshop  
**Tetsuya Asakawa**



The Nagase Application Workshop (NAW) is home to specialized equipment and expert staff capable of conducting raw materials analysis, application development, and final product formulation for plastics and coating materials. This organization is responsible for technological development, incubation, and research. Through its technological development function, NAW combines the materials and processing technologies from Group manufacturing companies and other business partners to propose innovative solutions that meet the needs of customers and the market, after these needs have been identified by the NAGASE Group marketing function. This is just one way in which NAGASE proves itself to be a unique evolution of the traditional trading company model of business.

### ◎ Main Functions

#### 1. Plastics



Formula design by expert technicians, test production of compounds (mainly via twin-screw extruder), test production of molded plastic products (via injection molding), physical property assessment using various evaluation equipment (Equipment) • Twin-screw extruders (18 mm L/D = 44 and 26 mm L/D = 64) • Henschel mixers • Injection molding machines (80 t and 110 t) • Analytical equipment (thermal analysis equipment, FT-IR, etc.) • Physical property measurement equipment (tensile strength, bending, shock testing equipment, HDT testers, etc.) • CCM (computer color matching system)

#### 2. Coating materials



Coating and ink formulation by expert technicians, test production of coatings and inks using various evaluation equipment, physical property assessment using various evaluation equipment (Equipment) • Dry type paint booths • Dispenser (paint conditioner, horizontal, vertical bead mill) • UV curing system drying oven • Environment testing equipment (xenon WOM, SUV weathering test equipment, salt spray test equipment, constant temperature/humidity oven, etc.)

#### 3. Multipurpose laboratory



The NAGASE Group is engaged in development in a variety of fields, including compounding technologies (plastic, coating, ink, etc.), materials technologies (dyes, additives, fillers, etc.), and printing technologies (color, surface treatment, etc.). With respect to these technologies in particular, the Group assigns technical staff from other departments, related companies, and affiliates to work in the NAW multipurpose laboratory. In this way, the Group makes more effective use of technical support provided by NAW facilities and staff, leading to faster development speed.

### Development History

Throughout fiscal 2015, we received a number of inquiries and requests from customers, materials manufacturers, and processing companies based on our reputation for conducting applied technology development that meets true market needs. We received representatives from more than 180 companies, in addition to more than 260 requests for testing and development. The NAGASE Application Workshop is indeed playing an active role in the growth and brand recognition of the NAGASE Group.

#### Plastics

- Develop plastic materials for molding with automotive industry parts makers (Tier1, Tier2). Weight savings, high-grade treatment, improvement in scratch resistance, etc.
- Development of compounds/masterbatches for resins featuring new anti-static properties
- Development of transparent, highly rigid plastics for use in cosmetics, medical products, and food applications

#### Coatings

Development of PatInaLock™ (new-concept antirust paint using “rust prevention by rust”) and a carbon hybrid coating system that significantly reduces solvent-based coating VOC

### Fiscal 2016 Policies

NAW works with customers and suppliers as development partners in the plastics and coatings fields. Through these activities, we add new levels of support for technical sales, incorporating advanced technical development functions, contributing to the real and perceived value of the NAGASE name.

During fiscal 2016, we will accelerate the speed at which we engage in cooperative business development with other divisions and affiliated companies in Japan and overseas. In particular, we are

targeting the commercialization of PatInaLock™ (antirust paint), a carbon hybrid coating system, and a highly slidable polyethylene.

Our goal is to uncover new elemental technologies and functional materials earlier than any other company in the world, contributing to growth in our markets. We will develop useful formulations and create proprietary NAGASE technologies that we can suggest as effective solutions to our customers.

### TOPICS Development of a Carbon Hybrid Coating System

As the world moves to limit emissions of VOCs, pollutants and a threat to human health, NAW is developing a carbon hybrid coating system that will reduce paint and paint thinner VOC by 50 percent. This coating system replaces paint thinner with liquid carbon dioxide as a solvent-based coating (Fig. 1, 2) to reduce VOC by a significant amount. In contrast to water- and powder-based coating, this method reduces VOC while maintaining membrane quality and external appearance after drying. The use of liquid carbon dioxide offers a number of advantages to paint thinner: (1) Not harmful to human health; (2) Low environmental footprint; (3) High solubility, viscosity reduction, volatility; and (4) cost savings. Industrial-use carbon dioxide is a by-product of the hydrogen manufacturing process. As such, this method does not contribute to the production of new carbon dioxide, which is known to be a greenhouse gas.

The carbon hybrid coating system can be installed in existing solvent-based coating booths, serving as a promising, environmentally friendly coating system that can be adopted at lower costs than water- or powder-based systems. The NAW is applying for a number of patents as part of an intellectual property strategy to commercialize this carbon hybrid coating system.



Figure 1 Solvent-Based Coating (current) Figure 2 Hybrid Coating

# Human Rights, Employment Practices

## Respect for Human Rights

The NAGASE Group has a Code of Conduct which defines our respect for human rights and our refusal to discriminate against individuals or groups in any manner. As a corporate group doing business around the globe, the NAGASE Group respects the history, culture, and customs of every region, and we do not engage in harassment or discrimination based on race, creed, gender, religion, nationality, language, physical characteristics, wealth, or place of birth. This Code of Conduct

is available in Japanese, English, Chinese, and German, distributed as a booklet and available through our corporate intranet for the reference of all Group employees. We require every NAGASE Group employee to comply with this Code of Conduct. In the event of an incident of discrimination, the Group will take immediate steps to investigate the situation, acting to help the affected individual(s) and to prevent any recurrence.

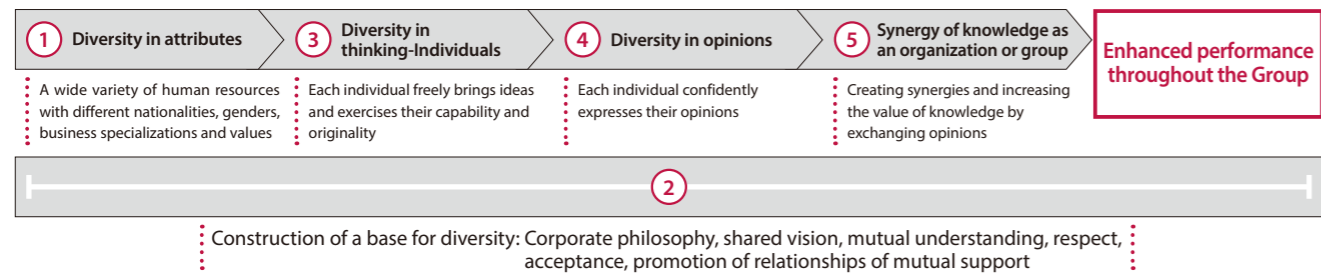
## Diversity

### 1 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 NAGASE Group believes that corporate culture can lead to the creation of new businesses and

improved business performance. Therefore, we want to develop a corporate culture in which a diverse workforce can share ideas, build a mutual understanding of shared values, and help each other perform their duties with energy and new synergies. As such, we at the NAGASE Group believe that diversity is not only a value but an important corporate strategy.

#### Objectives to Achieve through the Promotion of Employee Diversity



### 2 Diversity Initiatives

Our diversity initiatives began in earnest in fiscal 2008 with the launch of the Diversity Promotion Committee. We conducted a second survey during fiscal 2011, and will continue to monitor our progress over a three-year span as we introduced new activities in fiscal 2012.

For fiscal 2015, the NAGASE Group intends to further develop our diversity, guided by initiatives for more active intra-Group personnel exchange. A subcommittee consisting of individuals with past exchange experience met to discuss how best to achieve this goal. Based on these discussions, NAGASE created policies to launch a cross-Group exchange project. We will begin implementing the most actionable of these policies in fiscal 2016.

#### Themes for Diversity Promotion

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

#### 1. In-house education

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

#### 2. 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 corporate culture

#### 3. Develop 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

## Work-Life Balance

### 1 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 workplace 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.

### 2 Work-Life Balance Initiatives

The monthly meeting of the Safety Committee includes a discussion of policies regarding basic awareness of overtime and flexible work schedules. The committee uses the results of

workplace surveys to gauge progress, striving with the cooperation of staff and management to make NAGASE a better place to work. The Company decided to expand options for shorter work hours beginning fiscal 2015.

As we expect to see more women in the workplace and more employees dealing with home care for family members, we have initiated labor-management discussions regarding the expansion of our current flextime system. We are working to implement a practical system that allows employees more choices about their work arrangements.

#### TOPICS Relaxed Standards, Expanded Options for Temporary Short-Time Work Arrangements

Employer support for child care is a major issue in Japan, where the nation is struggling with low birth rates. In light of this social issue, NAGASE & CO. has expanded eligibility for short-time work arrangements. Beginning fiscal 2015, employees are eligible for this flexible arrangement for elementary school-aged children up to third grade.

## Professional Development

### 1 The NAGASE Group Professional Development Policy

#### • The NAGASE Group Approach to Professional Development

The NAGASE Group professional development program consists of a natural combination of on-the-job and off-the-job training. On-the-job training lets employees experience real-world work in a variety of roles to gain new knowledge and skills. Off-the-job training also involves training and gaining skills through both formal classes and self-directed learning.

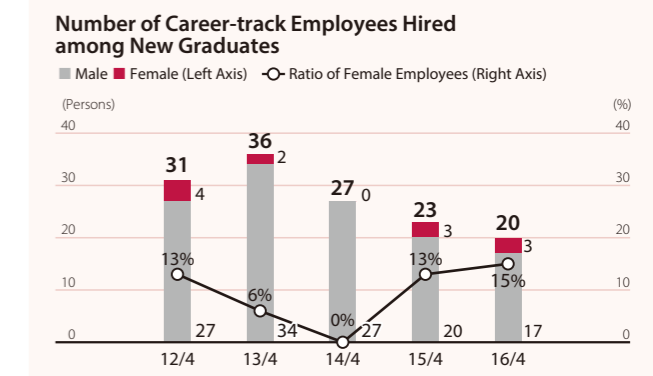
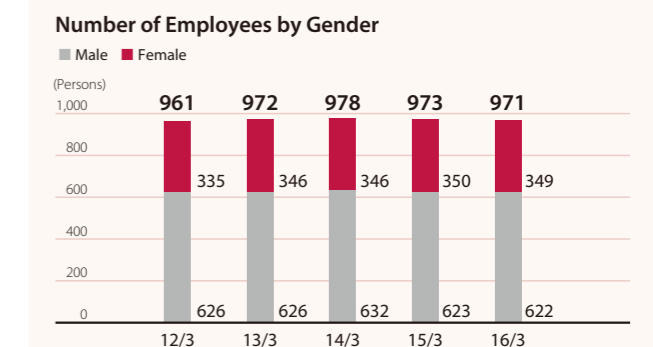
The NAGASE Group promotes on-the-job training, while at the same time ensuring employees are able to learn knowledge and skills for their continued growth. These programs include rank-specific for young staff, training for managers, and position-specific training to ensure staff have the necessary knowledge and skills to perform their work.

#### • Promoting Group Functions through Organization-Wide Human Resources Development

We offer Group-wide human resources development programs based on rank, as well as improved headquarters-based training for overseas national staff designed to more fully deliver the NAGASE Group functions.

#### TOPICS The President's Award

Employees and management have had numerous discussions related to policies for increasing employee motivation. As a result, NAGASE established the President's Award as a means to foster a greater sense of satisfaction among employees. We believe this program will help us build



a better company, encouraging employees and management to come together to find satisfaction in their work and a commitment to full participation. In the future, we intend to roll out this program throughout the Group to motivate employees and create greater solidarity.

## 2 Major Policies

### Strengthening Management Capabilities and Business Skills; Fostering Globally Proficient Personnel

We have emphasized the following three points among our various development policies. We will continue to revise Group education and training programs according to changes in the external business environment and NAGASE Group strategy.

1 Promote globalization	Assign employees to overseas entities, send employees to business schools, provide cultural training, offer English language training support.
2 Train managers	Programs to sharpen our competitive ability (send employees to business school or MBA basics training, etc.).
3 Instill shared values	Provide rank-specific training in shared values, offer shared value workshops for managers, conduct surveys. As the external business environment changes, we will continue to revise and improve our training programs.

Number of Participants at Main Training Programs

Training Program	Fiscal 2013	Fiscal 2014	Fiscal 2015
Rank-Specific	801	896	796
Elective	10	21	8
Overseas	19	16	19
The Business Leadership Program for Overseas National Staff	33	42	37

#### Using the NAGASE Global HR Development Center



In May 2014, we opened the NAGASE Global HRD Center in Sendagaya, Tokyo. The Center serves as our base for developing human resources that will lead us toward sustained growth. During fiscal 2015, we used the facility for a number of different purposes. We held major meetings (joint division council meetings, global meetings, mid-term plan council meetings), training (HR training, group company training, intern training, etc.), product training, professional networking opportunities, and more. A total of 3,351 people used the facility during fiscal 2015, including 1,383 room nights and 122 training meetings.

### Staff Development Program

	For Managerial Track Staff, Specialized Position Staff, R&D Position Staff			For National Staff	For Clerical Position Staff	
	Skills	Mind	Practical			
General Manager	Overseas Business School Enrollment					
Division Manager	NMP (Nagase Management Program)					
Section Manager	Domestic Business School Enrollment					
	Manager Training		Appraiser Training	GMP (General Management Program)		
Section Staff	Manager Candidates Training					
	MBA Basic Education Program		Management Skills Seminar		BIP (Business Improvement Program)	
		Overseas Business On-the-Job Training				SA Training (Promotion)
		Leadership Training	Practical Skills Seminar	BMP (Basic Management Program)	Business Skills Training	
	Core/Skill Training		Office Systems Training		Office Systems Training	
Introductory Training		Basic Practical Skills Seminar		Introductory Training		

## Environment

### Environment Management

#### 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. Earlier than other trading companies in Japan, NAGASE & CO., LTD. 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. We conduct activities together with six sales companies, Nagase Chemical, Nagase Plastics, Nagase Abrasive Materials, Nishinihon Nagase, Nagase Elex and Nagase-OG Colors & Chemicals under the Environmental ISO Management Organization.

Many of our domestic manufacturing, processing, services, sales, and other Group companies are working independently to acquire certifications and engaged in environmental activities. These firms include Nagase ChemteX Corporation, Nagase Medicals Co., Ltd., Setsunan Kasei Co., Ltd., Totaku Industries, Inc., Nagase Techno-Engineering Co., Ltd., Nagase Techno Service Co., Ltd. and Fukui Yamada Chemical Co., Ltd.

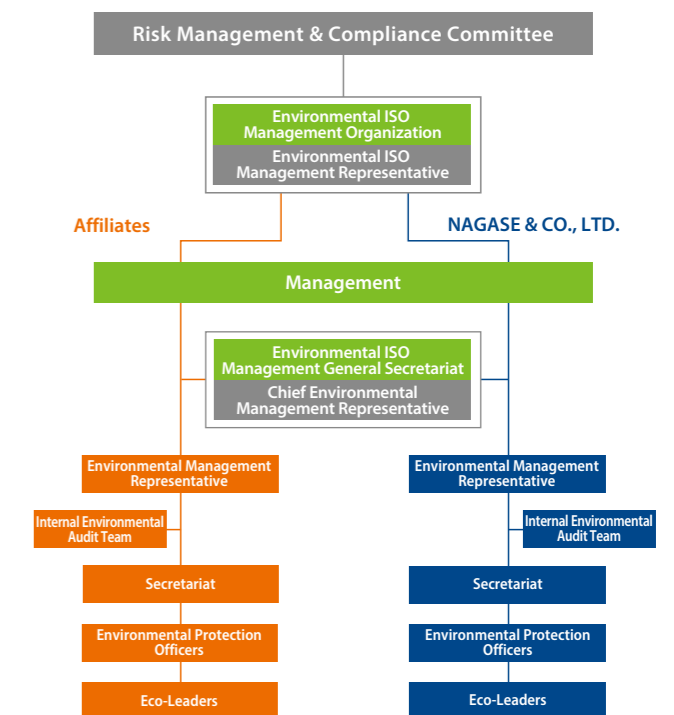
We will continue with activities to improve the environmental management systems among certified Group companies.

#### Environmental Management Activities

NAGASE & CO., LTD. bases its environmental management activities on daily operations. Specific activities include the promotion of environmental businesses and energy conservation activities, as well as the enhancement of operational efficiency. Our environmental businesses encompass renewable energy, energy storage, energy/resource conservation, regulated materials replacements, recycling/reuse, and measures to combat global warming. One company-wide initiative is to create and expand businesses utilizing environmental and energy technologies. We will continue to share information and functions among and between Group companies to become an organization that rapidly develops and deploys products and services that lead to a more sustainable and low-carbon society.

Another way we believe we can shrink our environmental footprint through our business is to be more efficient in our

Environment Management Structure



logistics. Reflecting our beliefs, in August 2008 we developed and implemented the Nagase Energy Calculation Online System. This system uses logistics voucher data from our sales management system to calculate domestic cargo transport volumes.

This system makes it possible not only to calculate our annual cargo transport volume and CO<sub>2</sub> emissions but to analyze transport routes for optimization, which also helps reduce our CO<sub>2</sub> 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.

Beginning fiscal 2012, we have held regular Safety Patrols and Energy Conservation and Recycling Patrols in buildings owned by the Company. These patrols ensure safety in the workplace and promote energy savings awareness within the Company.

**Environmental Policy**

❶ **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.

❷ **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.

❸ **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.

❹ **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.

❺ **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.

**Reducing Our Ecological Footprint**

As the core company of the NAGASE Group, NAGASE & CO., LTD. sets an example through activities to reduce its ecological footprint. In addition, the company views developing eco-conscious businesses as major component of its environmental policies. NAGASE & CO., LTD. contributes to society by reducing its own footprint, while discovering and developing the types of eco-friendly products that society demands.

In line with revisions made to the Act on the Rational Use of Energy, NAGASE & CO., LTD. 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.

We adopted and operate a building energy management system (BEMS) at our Tokyo headquarters building and Nagoya branch office. We use automated environmental impact reduction controls and energy conservation operations during summer peak usage times to keep environmental settings within target

levels. The building energy management system gives us more visibility in building operations, allowing us to publish electricity usage to company personnel in real time, helping employees understand the need for and status of our energy conservation.

**Activities Undertaken by Nagase ChemteX**

Nagase ChemteX Corporation, a core manufacturing subsidiary of the NAGASE Group, is promoting energy conservation activities by developing an energy-saving framework at all its facilities. Every Nagase employee is expected to participate in energy conservation activities. These activities include department-by-department energy conservation targets and monitoring, a system of energy conservation improvement proposals, and Energy Conservation Committee staff members, helping reduce greenhouse gases through facilities investment and improvement. To further promote energy conservation activities, we have subdivided the Energy Conservation Committee into department-level units to exercise even more detailed control over energy usage.

Once again in fiscal 2015, the Kansai Electric Power Co. Inc. asked Nagase to cooperate with energy-saving measures during the hot summer months. We signed a special peak-time adjustment contract to cut 10% of used electricity during July, August, and September. We achieved that goal for all three months of the contract, earning a discount on electricity fees.

**Environmental Performance Data**

**Electricity Usage**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Electricity Usage (kWh)	6,091,675	5,861,177	6,110,367

**Waste, Recycling**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Waste (t)	261	188	217
Recycling (t)	210	149	183
Recycling (Ratio)	80.0%	79.5%	84.1%

**CO<sub>2</sub> Output**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
CO <sub>2</sub> Output (t-CO <sub>2</sub> )	3,186	3,154	2,490

**Paper Usage**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Paper Usage (sheets: 1,000)	7,720	7,264	6,007
Paper Usage (t)	33.0	31.0	25.8

**CO<sub>2</sub> Output from Logistics Activities**

	Fiscal 2013	Fiscal 2014	Fiscal 2015
CO <sub>2</sub> Output (t-CO <sub>2</sub> )	1,831	1,727	1,787

Participating Companies: NAGASE & CO., LTD.  
Period: April 2013 to March 2016



**Fair Business Practices**

**Risk Management and Compliance**

**Identify, Understand, and Control Risk**

• **Identify, Understand, and Control Risk**

The Company established the Risk Management & Compliance Committee to put into place a structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. This Committee determines committee member functions and authority, operating a structure of clearly defined 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 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 immediately report to the Risk Management & Compliance Committee, which promptly reports to the Audit & Supervisory Board. In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly. The Company revised the NAGASE Group Code of Conduct in November 2012, distributing the document to all employees throughout the entire domestic and international Nagase organization.

In January 2015, we established the Crisis Management Guidelines. These rules are part of a structural and communications system that allows us to quickly and properly respond as a cohesive organization, gathering information, providing reports, and issuing instructions in the event of a crisis that affects business continuity.

**Basic Compliance Policy**

The Nagase Group is a member of society and, as such, it is our duty to behave in a manner in keeping with this role by maintaining good and fair business practices and providing society with the goods and services it needs. Through continued growth and development, Nagase can improve the welfare of its employees, while making a contribution to society.

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 to improve operations by identifying the causes of problems and taking steps to prevent recurrences.

❶ **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.

❷ **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.

❸ **Elimination of anti-social elements**

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

❹ **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.

❺ **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.

❻ **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.

## 1 Fair Business Practice Initiatives

### 1. Basic Approach

The risk of cartel enforcement, particularly surcharges, under the Antimonopoly Act can have a major impact on a business. Since cartel regulations can be an issue, particularly for manufacturing firms, the NAGASE Group actively conducts education activities, mainly for our manufacturing companies.

Our sales companies (including NAGASE & CO., LTD.), must be continually aware of the risks associated with violating sales agent regulations and subcontractor risks under the Antimonopoly Act. As such, we hold regular education activities through a variety of means to keep this risk in the forefront of the minds of our employees.

Moving forward, we will continue to educate our employees about laws related to fair business practices, particularly those directly affecting our business. During fiscal 2016, we plan to continue worldwide training and education related to bribery and fraud prevention.

### 2. Education Activities (2012–)

Implementation	Targets	Content/Attendance
September 2012	NAGASE & CO., LTD. Sales personnel (including managers and sales staff)	Company training on Collusion, Cartels, and the Subcontract Act Held <b>nine times</b> in total (Tokyo, Osaka, Nagoya)
October 2012	Totaku Industries, Inc.	Seminar on business-related risks in connection with the Antimonopoly Act <b>20 attendees</b>
January 2013	Hayashibara Co., Ltd. Mainly for purchasing and sales personnel	Seminar on business-related risks in connection with the Subcontract Act Held <b>twice</b> in Okayama
February 2013	NAGASE & CO., LTD. Officers	Seminar on the Antimonopoly Act, delivered by in-house attorney <b>31 attendees</b>
July 2013	Nagase ChemteX Corporation	Seminar on business-related risks in connection with the Antimonopoly Act <b>71 attendees</b>
October–November 2013	NAGASE & CO., LTD., certain affiliated companies	Subcontract Act E-Learning training NAGASE & CO., LTD. participation: <b>97%</b> Affiliated company participation: <b>98.7%</b>
November 2013	Hayashibara Co., Ltd.	Seminar on business-related risks in connection with the Antimonopoly Act Held <b>once each</b> in Okayama and Tokyo
April 2014–	NAGASE & CO., LTD. New employees	Training for new hires related to important points of the Subcontract Act Held <b>once each</b> in Okayama and Tokyo
June–July 2015	NAGASE & CO., LTD., certain affiliated companies	Global trends in bribery prevention regulations focusing on Foreign Corrupt Practices Act (U.S.), Bribery Act (UK), and Unfair Competition Prevention Act (Japan), given by outside expert attorney Held <b>nine times in total</b> (Tokyo, Osaka, Nagoya)
February 2016	NAGASE & CO., LTD., certain affiliated companies Section managers	Compliance seminars conducted by rank Held <b>once each</b> in Tokyo and Osaka

## 2 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, Asia, and other rapidly growing regions, is increasing. Transactions with suppliers in emerging countries measures be put in place to prevent quality management and other issues that may arise due to legal and regulatory differences between Japan and the countries in question. Therefore, NAGASE & CO., LTD. recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management.

We have also worked on test programs to strengthen and expand Group-wide research, development, and manufacturing functions, recognizing 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 establishment of Group-wide 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.

As NAGASE changes business models from sales agent to manufacturing/processing and manufacturer investment, we 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. Quality Assurance Support manages vendors and contract manufacturers, supporting Group manufacturing companies and conducting internal training.

### • Security Trade Controls

As a trading company specializing in technology and information and which also carries out export business activities, mainly of chemical products and precision equipment components, Nagase has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. The Item Compliance Management Section of the Logistics Management Division serves as the office of the Security Trade Control Committee. Furthermore, the Item Compliance Management Section within the Logistics Management Division is responsible for security trade control of the company and acts as the Security Trade Control Committee's secretariat.

Meetings of the Security Trade Control Committee and the Item Compliance Management Council are held as deemed appropriate. 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 Item Compliance Management Council is in charge of directing and educating each business division and Group company in matters and statute updates determined by the Security Trade Control Committee. It is the responsibility of the Item Compliance Management to protect the Company and affiliates against the risk of illegal acts with respect to export controls.

### Specific Management Framework

All information about our export products, technologies, and overseas customers is stored in our proprietary Product Management System. Our Sales Division and Item Compliance Management staff confirm whether certain products or technologies are subject to restriction under the rules of Foreign Exchange and Foreign Trade Act and the United States Export Administration Regulations. Only those products approved by the Item Compliance Management Section are put into the system as products allowed 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, as a rule, 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 2016, NAGASE had 803 qualified STC Associates in 22 Group companies. 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, rank-specific personnel training, 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.

### • Regulatory Compliance in Products

International society is becoming more concerned about environment- and safety-related issues. At Nagase, we continue to improve product-related compliance and centralized information management, including management of chemical products. All products we deal in are subject to the management system administered by the Item Compliance Management Section within the Logistics Management Division. This allows us to comply properly with any laws or regulations that affect our products.

### Framework for Compliance with Product Laws and Regulations

The NAGASE Group checks related laws for the chemical components and regulated effects of new products that we plan to introduce to the market. Information related to these products is managed within the aforementioned Product Management System database and shared Group-wide. Using this system, we are able to swiftly confirm which products contain regulated materials and ingredients, complying as appropriate with related regulations and providing our customers with the information they require to confirm compliance with revised laws in Japan and abroad. Furthermore, to respond to the demands for more green procurement from our customers, we have established Green Procurement Requirements, procuring and delivering products after confirming they have been procured in compliance with these guidelines.

We are members of the Japan Chemical Industry Association, the Japan Chemical Exporters and Importers Association, and several other industry organizations. 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 MSDSplus 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 adopting more strict and standardized 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, from 2009, China, South Korea, Taiwan, Malaysia and other countries bolstered their respective regulatory systems relating to chemical management. In such an environment, as an entity engaged in business worldwide, the NAGASE Group provides support to its overseas subsidiaries for responding to these legal and regulatory developments via the above-mentioned Product Management System.

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. We work 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.

## For Consumer Safety and Value

The NAGASE Group deals in more than just chemical products. We also manufacture and sell saccharides, enzymes, and other food products, cosmetics, and pharmaceutical-related materials, under strict quality management and effective sales systems. On this page, you will find examples of Group companies that focus on the safety, value, and trust of our customers. Please read more about Food Ingredients (Hayashibara Co., Ltd.), and Cosmetics (Nagase Beauty Care Co., Ltd. and the Nagase & Co. Beauty Care Products Department).

### Food Ingredients

#### Basic Approach to Quality Management for Food Safety

Hayashibara contributes to realize a sustainable world where people live with peace of mind. Accordingly, detailed attention to quality and food safety is indispensable; it is the foundation for a company that serves society. Hayashibara has established Quality Policies, and Food Safety Policies and Guidelines for Product Manufacture and Business Ethics. Hayashibara places ISO 9001 standards at the center of its organization-wide quality management system (QMS). In addition, FSSC 22000 standards for food safety are applied for food ingredients, and Good Manufacturing Practices (GMPs) are applied for drug substances and pharmaceutical excipients as provided under the Pharmaceutical and Medical Device Act.

We record and manage all processes within our organization, from receiving of raw materials to production, quality assurance, and delivery of our finished products to the customer. Through a process of continual improvement, we guarantee quality and safety to our customers.

#### Specific Quality Management Initiatives

We have made quality assurance (QA) and quality control (QC) functions independent from manufacturing and sales functions, establishing independent QA and QC Departments. The QC Department has responsibility for product quality. The department also takes ultimate responsibility for releasing products to the sales channels. The QA Department is responsible for representing the Company, assuring customers that all of our value creation processes are reliable and safe. To achieve this, the QA Department is responsible for managing QMS to prevent complacency in QMS, to assess the effectiveness of improvement measures, to introduce cross-organizational improvement measures, and accomplish other tasks by implementing the PDCA cycle.

The Functional Saccharide Plant, T Building, where TREHA™ is produced, has been certified to operate in compliance with the FSSC 22000 global Food Safety Management



FSSC 22000

System. Taking what we learned from this experience, we are adopting similar requirements to the design of our new plants. In addition to physical measures, we are also employing systematic measures for food safety and voluntarily operating HACCP systems at other saccharide plants. We continue to incorporate the newest international standards for the improvement of quality and safety of all saccharides and other products.

### Cosmetics

#### Basic Approach

We sell beauty care business department products mainly through a direct consumer sales organization, managed by Nagase Beauty Care. Because these products are cosmetics and health foods that come in direct contact with the human body, the product manufacturing process must adhere to the strictest quality control standards. Our highest priority is offering safe, secure products and services to our customers, both old and new.

#### Specific Initiatives

Our research and development pursues herb sciences and technology, selecting materials from a variety of plants, seeking out those that combine safety and functionality. The plant materials coming out of our research are used as the raw materials of end products, which are in turn subject to strict quality management systems in connection with the production process.

At the same time, our designs incorporate considerations for ease of use, ease of reading, and ease of understanding to respond to the shift in age demographics of our customers. If customers have any questions about their purchases, they can contact the Nagase Beauty Care after-sales support (support office). This support office is staffed with experienced beauty instructors and professionals who work directly with customers. We have received support from this office in raising the quality of our products and services in response to customer feedback.



Careful selection of useful herbs from around the world. The manufacturing of products that are sensitive to changes in temperature and humidity requires efficient extraction technologies and strict quality management to ensure that quality standards remain high.



## Community Involvement and Development

### Contribution to the Advancement of Science and Technology

NAGASE has a long history of technological development beyond chemicals. We have also been very active in technological and application development for enzymes and organic compounds used in the pharmaceuticals markets. We believe in the importance of fundamental research in the organic chemistry and biochemistry fields, and that offering subsidies through research and development and international exchange leads to

the advancement of science and technology. As part of our contribution to societal progress, we established the Nagase Science and Technology Foundation in 1989.

Current programs include research grants to researchers and other subsidies. To date, NAGASE has helped finance 452 research projects, provided support for 178 international exchange programs (program terminated during fiscal 2004), and contributed a total of ¥1.17 billion to further science.

In fiscal 2011, we reorganized the Nagase Science and Technology Foundation into a charitable organization that continues to offer research subsidies as well as the Nagase Research Promotion Award.

### Fiscal 2016 Subsidy Awards

(titles omitted: Japanese syllabary order)

Name	Present office	Position	Subject matter
<b>Organic chemistry</b>			
Tatsuya Uchida	Faculty of Arts and Science Kyushu University	Associate Professor	Development of Valence-Responding Asymmetric Catalyst
Masaki Kawano	School of Science, Department of Chemistry, Tokyo Institute of Technology	Professor	Development of conductive porous coordination networks
Eiji Shirakawa	School of Science and Technology Kwasei Gakuin University	Professor	Development of transition metal-free coupling reactions of organozinc reagents with aryl halides
Satoshi Takamizawa	Graduate School of Nanobiosciences Yokohama City University	Professor	Investigation of shape-memory effect in organosuperelastic materials
Yutaka Hitomi	Graduate School of Science and Technology Doshisha University	Professor	Development of molecular probes for real-time non-invasive imaging of the diffusion process of hydrogen peroxide produced as cellular signals at low levels
Yukari Fujimoto	Graduate School of Science and Technology Keio University	Professor	Development of synthetic methods for lipid conjugates and functional analysis / modulation of the lipid recognition proteins
Tetsuro Murahashi	School of Materials and Chemical Technology Tokyo Institute of Technology	Professor	Development of Organometallic $\pi$ -Clusters using $\pi$ -Conjugated Unsaturated Hydrocarbons
Shigehiro Yamaguchi	Institute of Transformative Bio-Molecules Nagoya University	Professor	Photostable Phosphore-Containing Ladder $\pi$ -Electron Systems
<b>Biochemistry</b>			
Kenji Arakawa	Graduate School of Advanced Sciences of Matter, Hiroshima University	Associate Professor	Understanding of unique biosynthetic machinery of azoxalkene compound produced by genome mining of <i>Streptomyces</i>
Hiroim Imamura	Graduate School of Biostudies, Kyoto University	Associate Professor	Quantitative measurement of ATP concentrations of photosynthetic organisms
Noriyuki Iwabuchi	Department of Applied Biological Science, College of Bioresource Sciences, Nihon University	Associate Professor	Structural analysis of non-aromatic fluorescent produced by <i>Pseudomonas</i> sp. ITH-SA-1 from lignin-derived aromatics
Masanori Osawa	Keio University Faculty of Pharmacy	Professor	Development of novel nanodisc that enables solution NMR analyses of membrane protein interactions in the lipid bilayer
Kohtaro Kirimura	Department of Applied Chemistry, Faculty of Science and Engineering, Waseda University	Professor	Improvement of reversible salicylate decarboxylase and its application to valuable salicylic acid derivatives production by the enzymatic Kolbe-Schmitt reaction
Hirokazu Suzuki	Graduate School of Engineering Tottori University	Associate Professor	Development of facile and versatile approach for screening thermostable enzyme variants in thermophile cells
Hiroaki Takaku	Niigata University of Pharmacy and Applied Life Sciences	Professor	Analysis and application of biosynthesis and degradation mechanism of lipid in the oleaginous yeast <i>Lipomyces starkeyi</i>
Shunji Takahashi	RIKEN Center for Sustainable Resource Science, Natural Product Biosynthesis Research Unit	Unit leader	Analysis of unique ester forming enzymes which catalyze a chemically difficult reaction
Hiroyuki Nakai	Faculty of Agriculture Niigata University	Associate Professor	Screening of carbohydrate active enzyme for oligosaccharide synthesis
Tatsuya Nishiyama	College of Bioresource Science Nihon University	Research Assistant	Study on the physiological role and function of microbial organocatalyst
Naoko Yoshida	Center for innovative young researchers Nagoya University of Technology	Assistant Professor	Electrochemical cultivation of dehalorespiring bacteria
Rikiya Watanabe	Graduate School of Engineering, The University of Tokyo	Lecturer	Heterogeneous energy conversion mechanism mediated by enzymes

#### TABLE FOR TWO Initiative

Employees at the NAGASE Tokyo Head Office and Osaka Head Office participate in the TABLE FOR TWO (TFT) Program. When an employee purchases a meal at one of the two corporate cafeterias, a school meal is donated to children in Africa. When an eligible menu item is selected, a ¥20 donation is given to the TFT office, which represents a school lunch for one student. NAGASE is proud to be an active participant in this program since 2008. Through matching gifts, NAGASE donates an equivalent amount to the program. As of April 2016, NAGASE and its employees have donated combined total of ¥2,225,380.



Source: TABLE FOR TWO

#### Blood Donation Activities

In response to a request from the Japanese Red Cross Society, we hold blood drives twice annually at our Tokyo and Osaka Head Offices, using conference rooms as temporary donation centers. During fiscal 2015, nearly 200 employees participated in our blood drives.



Letter of Appreciation from the Japanese Red Cross Society



# Financial Foundation Supporting Business Growth

NAGASE is working to achieve the targets identified under **ACE-2020**, maintaining a balance between investment in growth businesses, consistent return of profits to shareholders, and a secure, strong financial foundation.

Representative Director and Managing Executive Officer  
**Mitsuro Naba**



## Basic Policy

With the start of our mid-term management plan **ACE-2020**, we are moving forward in our efforts toward *Reform of Profit Structure* and *Reform of Corporate Culture*. Under this plan, our goals for fiscal 2020, the final year of the plan, are ¥1 trillion in net sales, ¥30 billion in operating income, and an ROE of 6% or greater. We use return on invested capital (ROIC) as a benchmark for achieving our ROE targets, focusing on measures that contribute to improved net income ratio (before taxes) and return on invested capital.

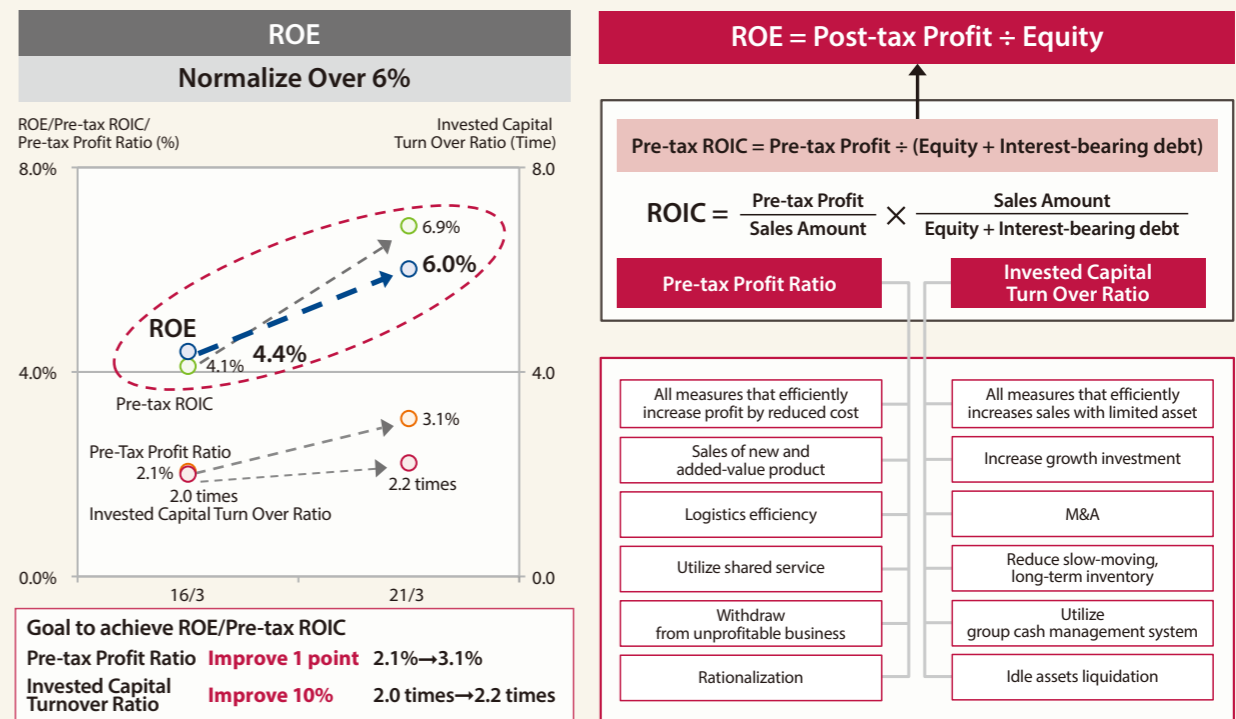
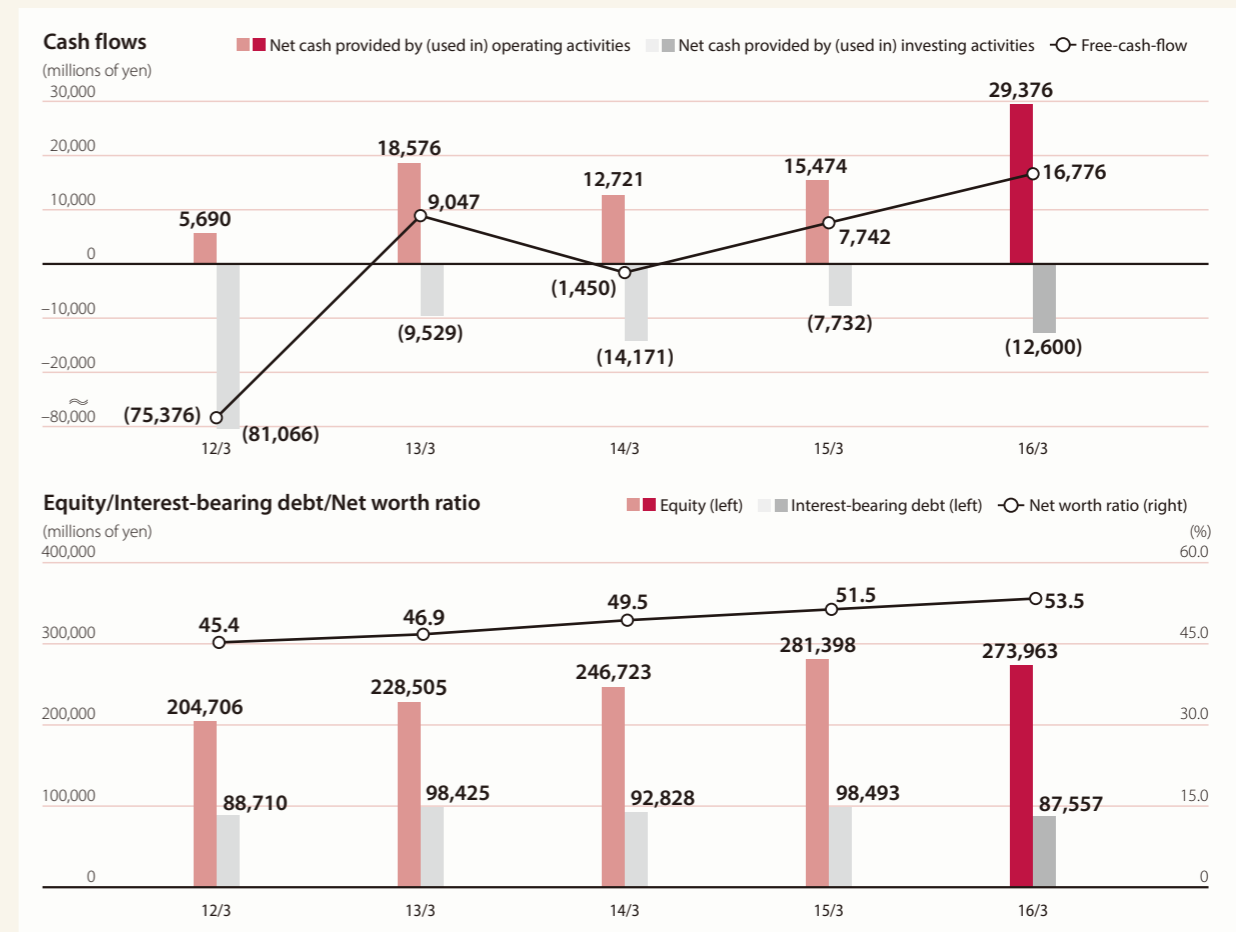
Our basic policy for financial strategy remains a balance of investment in growth businesses, consistent return of profits to shareholders, and a secure, strong financial foundation.

## Capital Procurement

For the five years covered by **ACE-2020**, we anticipate making ¥100 billion in growth investments, taking a more aggressive stance than ever in investing for our future. We will source our investment capital and working capital mainly from operating cash flows and interest-bearing debt. At the same time, efficient use of working capital and asset replacement will serve to preserve our strong financial foundation, a particular strength of NAGASE & CO. We have established an R&I (Rating and Investment Information, Inc.) rank of A or higher as an indicator of our financial strength.

## Return of Profits to Shareholders

NAGASE & CO. will continue to deliver consistent dividends to our shareholders, according to our consolidated earnings results. More specifically, we will strive to improve dividends per share, considering our consolidated payout ratio and consolidated dividend on equity.



## Six-Year Summary

NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2011–2016)

	(Millions of yen)					Thousands of U.S. Dollars (Note 1)	
	2011	2012	2013	2014	2015	2016	2016
<b>For the Fiscal Year:</b>							
Net Sales	¥660,213	¥631,854	¥666,272	¥723,212	¥759,713	<b>¥742,194</b>	<b>\$6,586,741</b>
Domestic	389,379	366,369	361,971	372,939	374,208	<b>363,038</b>	<b>3,221,849</b>
Overseas	270,833	265,484	304,301	350,272	385,505	<b>379,156</b>	<b>3,364,882</b>
Gross Profit	73,008	71,628	82,583	88,936	91,991	<b>91,663</b>	<b>813,480</b>
Operating Income	18,732	13,427	15,578	15,789	18,153	<b>18,024</b>	<b>159,957</b>
Income before income taxes and non-controlling interests	20,918	16,536	19,458	18,353	18,989	<b>15,239</b>	<b>135,241</b>
Profit attributable to owners of the parent	12,823	8,570	14,182	11,663	11,318	<b>12,316</b>	<b>109,300</b>
<b>As of the Fiscal Year-End:</b>							
Total Assets	¥375,336	¥450,842	¥486,747	¥498,141	¥546,525	<b>¥512,081</b>	<b>\$4,544,560</b>
Net Assets	209,316	212,744	237,806	251,892	287,500	<b>279,149</b>	<b>2,477,360</b>
Interest-Bearing Debt	27,125	88,710	98,425	92,828	98,493	<b>87,560</b>	<b>777,068</b>
Share Price (Yen)	990	1,024	1,147	1,275	1,573	<b>1,237</b>	<b>10.98</b>
Market Value	137,024	141,730	158,754	176,470	200,413	<b>157,604</b>	<b>1,398,686</b>
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	138,408	138,408	138,408	127,408	<b>127,408</b>	—
Number of Shareholders	5,136	6,124	6,921	6,984	6,781	<b>7,338</b>	—
Number of Employees	4,693	5,545	5,897	5,960	6,259	<b>6,267</b>	—

	(Yen)					U.S. Dollars (Note 1)	
	2011	2012	2013	2014	2015	2016	2016
<b>Per Share Data</b>							
Profit attributable to owners of the parent	¥ 99.76	¥ 66.69	¥ 111.31	¥ 91.86	¥ 89.10	<b>¥ 96.96</b>	<b>\$ 0.86</b>
Net Assets	1,568.04	1,592.87	1,803.31	1,942.20	2,215.18	<b>2,156.67</b>	<b>19.14</b>
Cash Dividends	22.00	24.00	26.00	28.00	30.00	<b>32.00</b>	<b>0.28</b>

	2011	2012	2013	2014	2015	2016	2016
<b>Ratio</b>							
Operating Margin (Operating Income/Net Sales) (%)	2.8	2.1	2.3	2.2	2.4	<b>2.4</b>	—
Ratio of Income before Income Taxes and Non-controlling Interests to Net Sales (%)	3.2	2.6	2.9	2.5	2.5	<b>2.1</b>	—
Return on Sales (ROS) (%)	1.9	1.4	2.1	1.6	1.5	<b>1.7</b>	—
Total Assets Turnover (Times)	1.8	1.5	1.4	1.5	1.5	<b>1.4</b>	—
Return on Assets (ROA) (%)	3.4	2.1	3.0	2.4	2.2	<b>2.3</b>	—
Return on Equity (ROE) (%)	6.5	4.2	6.5	4.9	4.3	<b>4.4</b>	—
Shareholders' Equity Ratio (%)	53.7	45.4	46.9	49.5	51.5	<b>53.5</b>	—
Debt to Equity Ratio (Times)	0.13	0.43	0.43	0.38	0.35	<b>0.32</b>	—
Current Ratio (%)	200.2	155.4	184.4	187.2	187.0	<b>200.1</b>	—
Interest Coverage Ratio (Times) (Note: 2)	35.40	21.26	15.46	15.8	17.86	<b>18.69</b>	—

Note: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥112.68=U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2016.  
Note: 2. Interest coverage ratio is calculated as (operating income + interest income + dividend income)/interest expense.

## Management's Discussion and Analysis of Operations and Finances

### Business Lines and Scope of Consolidation

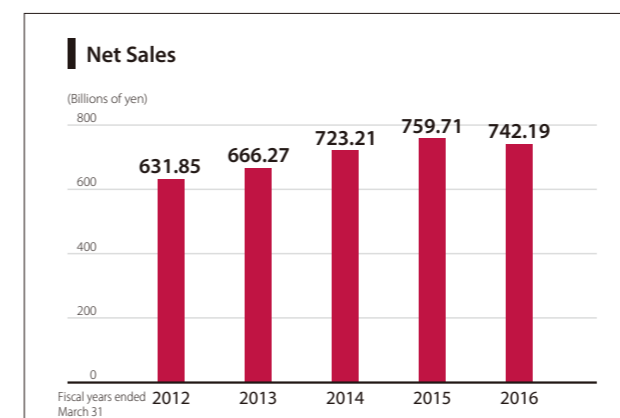
The NAGASE Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. (the "Company" or "NAGASE") at its center. In addition, the NAGASE Group manufactures and sells products and provides services. These businesses are conducted by 102 related companies, consisting of 70 subsidiaries and 32 affiliates. The scope of consolidation includes 60 subsidiaries as well as 25 affiliates, which are accounted for by the equity method.

### Overview of Results

#### Net sales

Stagnation in Japanese consumer spending, as well as the decline in resource prices and the pressure of the strong yen on corporate earnings have created a gradually increasing sense of uncertainty about the future direction of the Japanese economy. Despite an ongoing recovery in corporate activity and consumer spending in North America, ongoing growth deceleration in China and other emerging countries have likewise clouded the direction of the future of the global economy.

In this environment, the Company recorded domestic sales of ¥363.03 billion for the consolidated fiscal year, which represented a 3.0% decrease year on year. Overseas sales amounted to ¥379.15 billion (1.6% decrease). In total, the Company recorded ¥742.19 billion (2.3% decrease) in net sales.

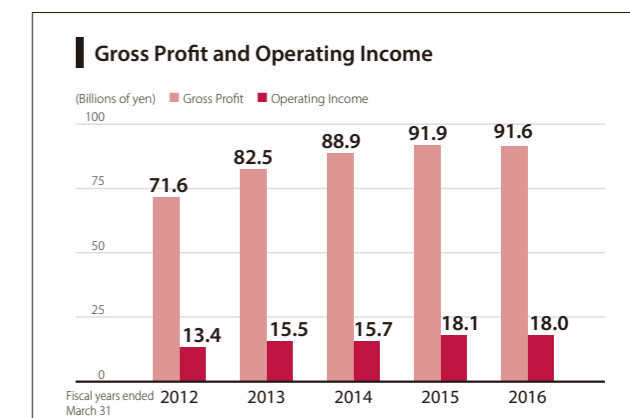


#### Gross Profit and Profit Attributable to Owners of the Parent

The Company recorded gross profit of ¥91.66 billion (0.4% decrease) in conjunction with lower revenues. Operating income amounted to ¥18.02 billion (0.7% decrease). As a result, gross profit ratio rose 0.3 points compared to the prior fiscal year, up to 12.4%, while operating margin remained level with the prior year at 2.4%.

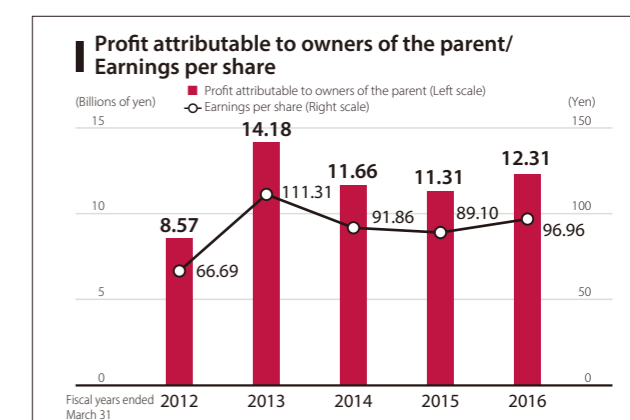
Ordinary income amounted to ¥18.39 billion (9.7% decrease), a year-on-year decline mainly due to a loss in equity affiliates and a downturn in foreign exchange gains. The ratio of ordinary income to net sales fell 0.2 points to 2.5%.

Meanwhile, profit attributable to owners of the parent amounted to ¥12.31 billion, an 8.8% increase. While the Company recorded impairment losses related to goodwill and business assets, the application of the Consolidated Tax Payment System beginning with the fiscal year ending March 2017 resulted in lower tax expenses.



The Company recorded income before income taxes and non-controlling interests of ¥15.23 billion (19.8% decrease) with a ratio of income before income taxes and non-controlling interests to net sales of 2.1%, which was a 0.4-point decrease compared to the prior fiscal year.

Profit attributable to owners of the parent amounted to ¥12.31 billion, an 8.8% increase, mainly due to the application of the Consolidated Tax Payment System, which resulted in lower tax expenses. Return on sales increased 0.2 points to 1.7%, while earnings per share was ¥96.96, compared to ¥89.10 in the prior year.



Results by Business Segment

Functional Materials

Fiscal years ended March 31		(Millions of yen)	
	2015	2016	
Net Sales	¥168,238	¥157,149	
Segment Income	4,302	3,679	
Segment Assets	75,590	71,042	
Depreciation and Amortization	483	509	
Amortization of Goodwill	—	—	
Goodwill	—	—	
Investments in Equity Affiliates	2,079	1,752	
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	330	1,690	

The Functional Materials segment reported lower net sales compared to the same period in the prior fiscal year. Growth overseas, particularly in the Americas and China, could not outpace the decline in domestic sales.

The performance chemicals business recorded lower net sales. While overseas sales grew in China and the Americas, domestic weakness in automotive production volume and slow demand for house paints resulted in lower sales of coating raw materials and urethane materials.

The speciality chemicals business reported lower overall net sales. While sales of plastic additives were strong, sales of chemicals for semiconductor-related products to the electronics industry and processing oils were sluggish.

As a result, the segment recorded net sales of ¥157.14 billion, representing a ¥11.08 billion (6.6%) decrease year on year. Operating income for the segment was ¥3.67 billion, representing a ¥620 million (14.5%) decrease. This decrease was mainly due to transfers and facilities expansions at subsidiary companies.

Advanced Materials & Processing

Fiscal years ended March 31		(Millions of yen)	
	2015	2016	
Net Sales	¥254,165	¥255,505	
Segment Income	4,804	4,979	
Segment Assets	131,543	122,802	
Depreciation and Amortization	802	859	
Amortization of Goodwill	—	—	
Goodwill	—	—	
Investments in Equity Affiliates	2,507	2,389	
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,392	1,466	

The Advanced Materials & Processing segment reported a slight overall increase in net sales. While sales were lower domestically, the segment saw higher sales in Northeast Asia and Southeast Asia.

The colors and imaging business recorded lower net sales. Despite higher sales of plastic materials, sales decreased for dyes and additives, information printing materials, anti-reflective optical sheets, materials for LCD TV reflectors, and conductive materials.

The segment's business selling plastics and other products to the office equipment, appliance and video game device markets reported slightly higher net sales. This result stems mainly from higher performance in Northeast Asia and Southeast Asia in contrast to lower sales in Japan.

As a result, net sales for the segment amounted to ¥255.5 billion, a ¥1.33 billion (0.5%) increase. Operating income increased ¥170 million (3.7%), reaching ¥4.97 billion for the period.

Electronics

Fiscal years ended March 31		(Millions of yen)	
	2015	2016	
Net Sales	¥149,947	¥127,926	
Segment Income	5,583	6,255	
Segment Assets	66,862	62,912	
Depreciation and Amortization	2,649	2,672	
Amortization of Goodwill	120	132	
Goodwill	2,214	672	
Investments in Equity Affiliates	132	1,968	
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	2,460	2,855	

The Electronics segment reported lower net sales compared to the same period in the prior fiscal year. While sales increased in Europe and the United States, these gains could not compensate for lower revenues in Japan and Northeast Asia.

The electronic chemicals business recorded increased sales for the period, driven higher by an increase in epoxy resin sales.

The electronic materials business reported lower sales overall, mainly due to a decline in revenues for liquid crystal-related products caused by sluggishness in the smartphone market.

As a result, the segment recorded net sales of ¥127.92 billion, representing a ¥22.02 billion (14.7%) decrease. Operating income amounted to ¥6.25 billion, which was ¥670 million (12.0%) higher. This result was mainly due to the impact of the Company's Taiwanese subsidiary recording an allowance for doubtful accounts during the prior fiscal year.

Automotive & Energy

Fiscal years ended March 31		(Millions of yen)	
	2015	2016	
Net Sales	¥109,851	¥115,351	
Segment Income	2,229	1,300	
Segment Assets	45,213	42,136	
Depreciation and Amortization	122	157	
Amortization of Goodwill	—	—	
Goodwill	—	—	
Investments in Equity Affiliates	1,932	1,355	
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	346	244	

Net sales for the Company's automobile-related business were level with the same period in the prior fiscal year. While domestic sales were affected by lower automotive production, sales of products for certain car models rose over the period. Overseas, the business saw strong sales in the Americas, China, and Southeast Asia, driving sales higher.

As a result, segment net sales amounted to ¥115.35 billion, a ¥5.5 billion (5.0%) increase. Operating income was ¥1.3 billion, representing a ¥920 million (41.7%) decrease. This decrease was mainly due to expenses incurred in connection with the launch of a new business in Japan.

Life & Healthcare

Fiscal years ended March 31		(Millions of yen)	
	2015	2016	
Net Sales	¥76,609	¥85,571	
Segment Income	3,157	3,864	
Segment Assets	98,250	99,620	
Depreciation and Amortization	3,136	3,258	
Amortization of Goodwill	1,502	1,502	
Goodwill	25,412	23,909	
Investments in Equity Affiliates	2,219	2,385	
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	5,720	2,341	

The Life & Healthcare segment reported higher sales with strong performance in both domestic and overseas markets.

The life & healthcare products business recorded an increase in domestic and overseas sales of TREHA™ and other products to the food materials industry. In the skin care and toiletries field, the business recorded higher sales of AA2G™, particularly to major customers in Japan. The segment also showed strong performance in sales of raw materials to the same skin care and toiletries markets. In the pharmaceuticals and medical fields, sales of raw pharmaceuticals, intermediates, and medical materials rose slightly. As a result, the business reported higher overall net sales.

The beauty care products business, which includes sales of cosmetics and health foods, reported a slight decrease in net sales. Net sales growth for new products launched during the second half of the year could not compensate for the sluggishness in existing product sales.

As a result, segment net sales amounted to ¥85.57 billion, which was an ¥8.96 billion (11.7%) increase. Operating income increased ¥700 million (22.4%), reaching ¥3.86 billion.

Other

In our Other business segment, the Company recorded net sales of ¥680 million (23.5% decrease), while segment income increased 7.0% to ¥210 million.

Financial Condition

(Summary of Consolidated Cash Flows)

Cash and cash equivalents (Cash) at the end of the year increased by ¥2.37 billion (5.9%) compared to the prior consolidated fiscal year, amounting to ¥42.9 billion.

■ Cash Flows from Operating Activities

Cash flows from operating activities for the consolidated fiscal year amounted to ¥29.37 billion. This result was mainly due to income before income taxes and non-controlling interests of ¥15.23 billion and depreciation and amortization of ¥9.49 billion, offsetting ¥4.54 billion in income tax payments.

■ Cash Flows from Investing Activities

Cash used in investing activities during the consolidated fiscal year amounted to ¥12.6 billion. This result is mainly due to ¥10.83 billion in purchases of property, plant and equipment and intangible fixed assets. The Company also made cash outlays of ¥2.12 billion for purchases of investment securities.

■ Cash Flows from Financing Activities

Cash used in financing activities for the consolidated fiscal year amounted to ¥12.82 billion. This result is mainly due to ¥6.44 billion in repayments of long-term loans and ¥3.93 billion in dividend payments.

Cash Flow Summary

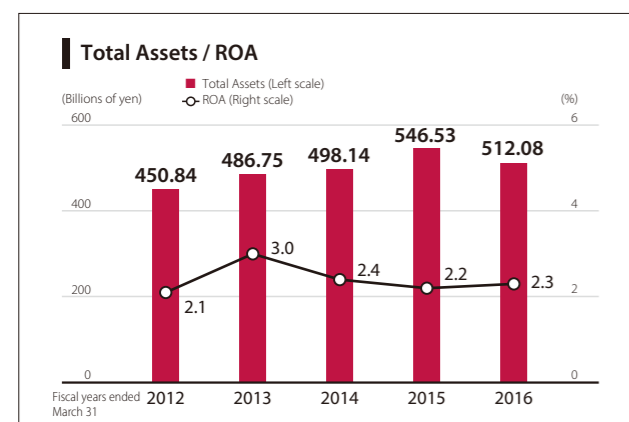
Fiscal years ended March 31		(Millions of yen)				
		2012	2013	2014	2015	2016
Cash Flows from Operating Activities	5,690	18,576	12,721	15,474	29,376	
Cash Flows from Investing Activities	(81,066)	(9,529)	(14,171)	(7,732)	(12,600)	
Cash flows from Financing Activities	56,961	1,164	(11,833)	(3,205)	(12,822)	

### Summary of Consolidated Balance Sheets

#### Assets

Total assets decreased by ¥34.44 billion compared to the end of the prior fiscal year, amounting to ¥512.08 billion. Current assets amounted to ¥312.33 billion. This represents a decrease of ¥17.51 billion compared to the end of the prior consolidated fiscal year, mainly due to decreases in accounts receivable and inventories.

Non-current assets amounted to ¥199.74 billion, down ¥16.93 billion. This was due mainly to a fair value decline in investments in securities.



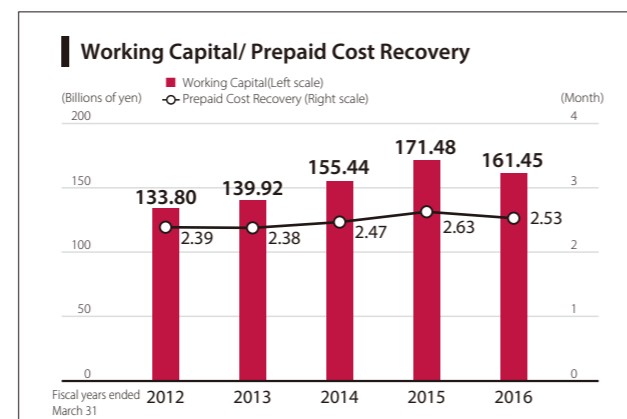
#### Liabilities

Liabilities amounted to ¥232.93 billion, down ¥26.09 billion compared to the end of the prior consolidated fiscal year due to decreases in accounts payable and deferred tax liabilities (non-current).

Current liabilities decreased ¥20.3 billion compared to the end of the prior fiscal year, amounting to ¥156.11 billion. This decrease was mainly due to decreases in short-term loans and current portion of bonds.

Long-term liabilities decreased ¥5.78 billion to ¥76.81 billion. This decrease was mainly due to decreases in long-term loans and deferred tax liabilities.

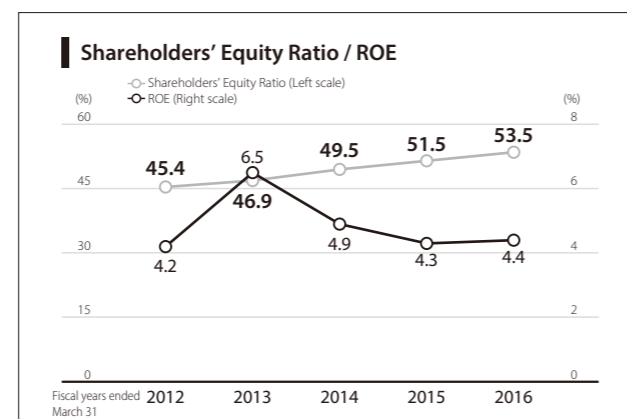
As a result, working capital decreased from ¥171.48 billion at the beginning of the year to ¥161.45 billion at the end of the year. At the same time, prepaid cost recovery improved by 0.1 months. Current ratio was 200.1% compared to 187% at the end of the prior year.



#### Net Assets

Net assets amounted to ¥279.14 billion, down ¥8.35 billion. This was mainly due to decreases in net unrealized holding gains on securities and translation adjustments, despite the Company recording profit attributable to owners of the parent in the amount of ¥12.31 billion.

As a result, the Company reported a shareholders' equity ratio of 53.5%, up 2.0 points compared to the end of the prior consolidated fiscal year.



#### Capital Investment

The NAGASE Group recorded ¥11.12 billion in capital investments (including intangible fixed assets), including ¥1.91 billion in capital investment for Hayashibara to ensure the stable supply and stronger competitive position for the company's functional saccharide products (Life & Healthcare segment). Funds for these investments came from both internal reserves and outside financing.

The table below shows a breakdown of capital investments by segment.

Reportable Segments	(Millions of yen)
Functional Materials	¥1,690
Advanced Materials & Processing	1,466
Electronics	2,855
Automotive & Energy	244
Life & Healthcare	2,341
Other	2,527
Total	11,125

### Research Costs

To leverage the total capacity of the Group and create new business opportunities, the NAGASE Group engages in research activities designed for marketing-driven development of new technologies and products, as well as to gather and share technological information.

The Nagase R&D Center works to advance foundational technology development and propose new avenues of research in NAGASE Group bio-related technologies. In addition to core substance production technology utilizing actinomycetes, the Center is expert in a wide variety of foundational technologies, including genetic engineering, metabolic engineering, fermentation engineering, bioprocess engineering, and bioinformatics. With these technologies, the Center references the latest technologies developed at universities and other outside research institutes, coordinating with Nagase ChemteX, Hayashibara, and other NAGASE Group companies to develop eco-friendly chemicals utilizing bio processes. In so doing, the Center plays an important role in helping create a welcoming society in which people can live in peace and safety. At present, the Center is pursuing research across a wide range of disciplines, including the development of new enzymes, non-natural amino acids, and anti-aging substances, as well as research applications for use in cosmetics and health foods incorporating natural extracts. The Center has applied for numerous patents in these and peripheral fields. In this way, the Nagase R&D Center accomplishes its mission to develop foundational biotechnologies that usher in the future of the NAGASE Group, while developing products through the utilization of biotechnology.

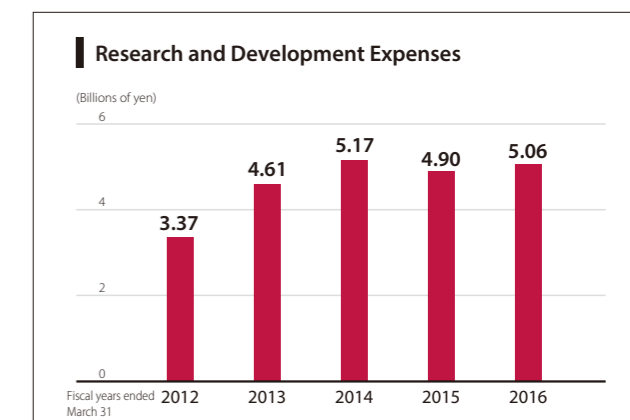
The NAGASE Application Workshop (NAW) is home to specialized equipment and expert staff capable of conducting raw materials analysis, application development, and final product formulation for plastics and coating materials. This organization is responsible for technological development, incubation, and research. The NAW combines the materials and processing technologies from Group manufacturing companies and other business partners to propose innovative solutions that meet the needs of customers and the market, after these needs have been identified by the NAGASE Group marketing function. This strategy is one way in which the Company proves itself to be a unique evolution of the traditional trading company model of business. The NAW works to accurately formulate new elemental technologies and functional materials, as well as develop proprietary technologies we can suggest as effective solutions to our customers, developing new business ideas in cooperation with NAGASE & CO. divisions and Group companies.

Nagase ChemteX Corporation focuses on electronics, life science, automotive, and environment/energy fields. ChemteX staff, in a cross-organization research and development division, and product development departments in each Group business work together to develop new products, leveraging proprietary Nagase synthesis, compounding, and bio-technologies, as well as assessment technologies—all developed over many years of technological experience.

In particular, Nagase ChemteX works to develop high-function, high-value-added products (automobiles, aircraft, and other transport-related equipment, bio materials, etc.) that are lightweight, durable, and recyclable.

Hayashibara conducts research and development into functional saccharides and functional dyes. The functional saccharides business consists of screening for microbes leading to the discovery and analysis of new enzyme-producing bacteria and research and development into unique functional saccharides produced from these enzyme-producing bacteria. The Nagase Group functional saccharides have applications and usages in a wide variety of fields, from foods to cosmetics and perfumes, pharmaceuticals, health, agriculture, and industry. On top of our long history of technological development, we continue to explore and adopt new methods. This work has resulted in products such as TREHA™, AA2G™, and a new generation of powerful, functional saccharide products. We continue to pursue research and development programs that create new products and applications, from basic research to applied research, from application development to patents, all linked in a cohesive intellectual property strategy. In functional dyes business, we are making use of the extensive Hayashibara functional dyes library, pursuing development to offer products and new applications in photo and printing plate and other commercial fields, as well as in life sciences fields such as pharmaceuticals.

The Group incurred a total of ¥5.06 billion in consolidated research costs for the fiscal year under review.



#### Outlook for the Year Ending March 31, 2017

While the economy in the United States is expected to grow stronger, supported by the underlying strength of consumer spending, there are also concerns that interest rate hikes may have an impact on the U.S. economy, as well as the economies of the emerging countries. Expected slowdowns in business in China and the negative impact on a stronger yen on corporate earnings in Japan have resulted in predictions of an ongoing unstable business environment.

In light of these expectations, we have forecast earnings of ¥735 billion in consolidated net sales (1.0% decrease year on year) with gross profit of ¥97.3 billion (0.7% increase). We project operating income of ¥14.5 billion, a 19.6% decrease, mainly due to increases in sales, general and administrative expenses. As a result, we forecast ordinary income of ¥16 billion (13% decrease) and profit attributable to owners of the parent of ¥9.5 billion (22.9% decrease).

The forecast for NAGASE Group earnings is as shown below. These forecasts have been developed based on a currency conversion rate of ¥108 to the US dollar.

(Announced on May 6, 2016) (Millions of yen)

	Net sales	Operating Income	Ordinary Income	Profit attributable to owners of the parent
Year ending March 31, 2017 (Projected)	¥735,000	¥14,500	¥16,000	¥ 9,500
Year ended March 31, 2016 (Actual)	742,194	18,024	18,390	12,316
Change	(1.0)%	(19.6)%	(13.0)%	(22.9)%

### Profit Sharing Policy

#### ■ Dividend Policy

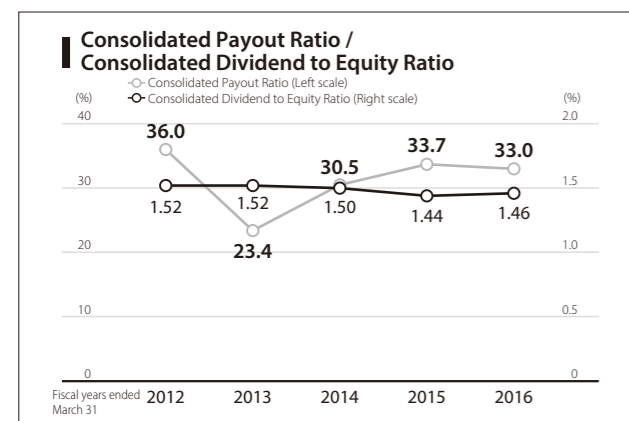
Our basic policy is to continue paying a stable dividend to our shareholders in line with our consolidated results as we improve our earnings power and management structure. We look to improve per-share dividends based on considerations of consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business activities and to build a stronger management foundation.

In addition, the Company has determined in its articles of incorporation, allowances or interim dividend payments according to the provisions of article 454 Paragraph 5 of the Companies Act. Accordingly, the Company's board of directors has resolved to adopt a dividend policy calling for two dividend payments every year, one interim subject to board of director resolution and one at the end of the fiscal year, subject to approval by the general meeting of shareholders.

The NAGASE Group declared a year-end dividend of ¥16 per share based on this policy. As a result, the scheduled full-year cash dividend will amount to a total of ¥32 per share. Consolidated payout ratio was 33.7%, compared to 30.5% in the prior year.

We forecast a full-year dividend of ¥32 per share for the next fiscal year, consisting of a ¥16 per-share interim dividend and a ¥16 per-share year-end dividend.

Statements made in this document with respect to the NAGASE Group's performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of



May 6, 2016. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ from projections.

### Operating and Other Risks

The NAGASE Group is engaged in trading, marketing, research and development, manufacturing and processing in six business segments across the world: Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, Life & Healthcare, and Other.

The nature of these businesses entails various risks that may have a material effect on investment decisions. We provide a discussion of the major risks below.

Any forward-looking statements are based on management decisions as of the end of fiscal year under review.

#### (1) Overall Operating Risk

The NAGASE Group is engaged in activities that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy and Life & Healthcare business. These products and services include dyes/pigments, coating materials/inks, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical applications. Accordingly, significant changes in domestic and international commercial chemicals industry could affect the NAGASE Group's earnings and financial condition.

#### (2) Product Market Conditions

The NAGASE Group handles extensive petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Automotive & Energy segments. Raw materials markets and demand-supply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines. Also, some products manufactured by the Group use raw materials derived from grains. Raw materials costs fluctuate widely due to changes in grain market prices; we may not be able to pass on increased raw materials costs through higher sales prices, which could affect our profits in related product lines.

#### (3) Impact of Fluctuations in Foreign Currency Exchange Rates

The NAGASE Group conducts import/export as well as non-trade business transactions denominated in foreign currencies. Fluctuations in currency markets have a significant impact when prices are converted to yen. While the Group executes exchange contract hedges for these transactions to minimize exchange rate risk to the greatest extent possible, currency exchange rate fluctuations could have a significant impact on Group earnings and financial conditions. The NAGASE Group owns foreign-domiciled corporations whose financial statements are prepared using local currencies. The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

#### (4) Impact of Fluctuations in Interest Rates

The NAGASE Group obtains funds for operating and investing activities through loans from financial institutions; some of these loans are interest-bearing debt including variable interest terms. The Group reduces interest rate fluctuation risk related to variable interest loans by utilizing interest-rate swap contracts. Group earnings and financial conditions may be affected by future interest rate trends. Interest rate fluctuations cause variations in discount rates used for retirement benefit obligations and plan asset investment income, impacting NAGASE Group business performance and financial position.

#### (5) Risks Involved in Operating Overseas

A significant and increasing percentage of NAGASE Group sales and manufacturing are conducted overseas in locations such as China, Southeast Asia, Europe, and the United States. While Group management keeps a close eye on local trends and conditions in order to respond appropriately, unforeseen events stemming from local government regulations, business customs, or other influences could have an impact on Group business performance and financial conditions.

#### (6) Impact of Changes in Stock Prices

The NAGASE Group maintains a portfolio of marketable securities, primarily equity shares of companies doing business with the Group. These equity investments are subject to share price fluctuation risks. As a matter of policy, the NAGASE Group reduces risk by continuously reviewing and reorganizing its shareholdings. However, changes in share prices could impact Group earnings and financial condition. A decline in share prices could damage the value of pension plan assets managed by the Group, increasing retirement benefit costs and thereby reducing Group profits.

#### (7) Counterparty Credit Risk

The NAGASE Group extends credit to domestic and overseas purchasers in connection with various transactions. As a matter of policy, the NAGASE Group reduces credit risk by obtaining guarantees, collateral, and insurance, etc. according to the financial condition of the purchaser. Although the NAGASE Group strives to ensure stable, uninterrupted product procurement, financial weakness or bankruptcies among suppliers or others could damage the Group's ability to procure goods. Such circumstances could have an impact on the Group's earnings and financial condition.

#### (8) Risk of Investments

The NAGASE Group engages in investment activities to establish new companies, to invest in equipment at manufacturing subsidiaries, and to acquire other business entities. These types of investment activities involve certain risks, including the risk of failing to recover investments in cases where the Company is not able to record profits at initially planned levels, the risk that additional funding may be required, and the risk that the Group will not be able to withdraw from investments according to the desired timing and method. The NAGASE Group strives to reduce risk in this area. Decisions to invest in new businesses are made after a careful study of the viability of business plans and profitability. At the same time, the Group regularly monitors the performance of existing investments. However, even

these management initiatives cannot completely negate potential investment risk, and such risk may have an impact on Group earnings and financial condition.

#### (9) Risk of Asset Impairment

The NAGASE Group owns non-current assets such as business assets in manufacturing subsidiaries and goodwill. These assets entail the risk of impairment loss if asset value declines. The NAGASE Group records impairment losses when deemed necessary. However, even greater impairment losses may be incurred as a result of deteriorating business profits or other factors in the future, which may have an impact on Group business performance and financial condition.

#### (10) Product Quality Risk

The NAGASE Group operates the Nagase R&D Center and manufacturing subsidiaries to offer high-value-added products to our customers. We pay detailed attention to the quality of the technologies and products that bear the name of NAGASE and our affiliates. We also bear manufacturers' liability for imported products, products manufactured on a contract basis, etc. Accordingly, the Group treats these products with the same attention to detail and quality as if they were made in our own facilities. However, product defects could result in cessation of sales and/or product recalls, exposing the NAGASE Group to liability for damages, which could have an impact on Group earnings and financial conditions.

#### (11) Risks related to Product Laws

The NAGASE Group imports, exports, and sells domestically a wide variety of chemicals and other products for a broad range of uses. To maintain international peace and safety, the chemicals and other items we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports and domestic sales are subject to the Chemical Substances Control Law and other related statutes, as well as similar regulations in foreign jurisdictions. To ensure compliance, the Group has established internal Security Trade Control Regulations and Chemical/Product Control Regulations. However, a violation of such laws and statutes could result in restrictions on Group business activities, having an impact on Group earnings and financial condition.

#### (12) Risks of Natural Disasters

The NAGASE Group has put emergency response systems in place, including the creation of a business contingency plan, the adoption of safety confirmation systems, the creation of a disaster-response manual, earthquake-response measures, disaster-response training, and other measures to deal with natural disasters. However, as we conduct business across a great number of countries and regions, we are exposed to the risk of major natural disasters, H1N1 influenza and other communicable diseases, and other emergencies that could disrupt our supply chain. Such disruptions could prevent us from selling our products or damage the manufacturing capabilities of important Group facilities. Such interruptions would result in opportunity loss, and could have a significant impact on Group earnings and financial condition.

# Consolidated Balance Sheet

Nagase & CO., LTD. and Consolidated Subsidiaries (March 31, 2016 and 2015)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Current assets:</b>			
Cash and time deposits (Notes 14 and 20)	¥ 43,283	¥ 40,575	\$ 384,123
Notes and accounts receivable (Note 14)	196,335	208,209	1,742,412
Inventories (Note 5)	62,920	69,013	558,395
Deferred tax assets (Note 11)	2,842	4,058	25,222
Other current assets	7,843	8,797	69,604
Less allowance for doubtful accounts	(890)	(806)	(7,898)
Total current assets	312,334	329,848	2,771,867
<b>Property, plant and equipment, at cost (Note 6):</b>			
Land	18,910	18,976	167,820
Buildings and structures	55,731	54,037	494,595
Machinery, equipment and vehicles	83,243	81,968	738,756
Leased assets	503	513	4,464
Construction in progress	1,876	2,549	16,649
	160,265	158,046	1,422,302
Less accumulated depreciation	(93,790)	(91,272)	(832,357)
Property, plant and equipment, net (Note 21)	66,474	66,774	589,936
<b>Investments and other assets:</b>			
Investments in securities (Notes 7 and 14):			
Unconsolidated subsidiaries and affiliates	9,498	8,280	84,292
Other	71,847	84,358	637,620
	81,345	92,638	721,912
Long-term loans receivable	1,023	1,139	9,079
Goodwill (Notes 6 and 21)	24,582	27,626	218,158
Technology-based assets	15,366	16,942	136,368
Deferred tax assets (Note 11)	1,544	2,381	13,703
Other assets (Note 6)	9,584	10,553	85,055
Less allowance for doubtful accounts	(174)	(1,378)	(1,544)
Total investments and other assets	133,272	149,903	1,182,748
Total assets (Note 21)	¥512,081	¥546,525	\$4,544,560

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Current liabilities:</b>			
Notes and accounts payable (Note 14)	¥ 97,800	¥105,737	\$ 867,945
Short-term loans (Notes 8 and 14)	25,294	31,388	224,476
Current portion of long-term loans and finance lease obligations (Notes 8 and 14)	8,895	6,453	78,940
Current portion of bonds (Notes 8 and 14)	—	10,000	—
Accrued income taxes (Note 11)	4,305	2,268	38,206
Deferred tax liabilities (Note 11)	13	19	115
Accrued expenses	3,551	4,009	31,514
Accrued bonuses for employees	4,224	4,314	37,487
Accrued bonuses for directors	194	213	1,722
Other current liabilities	11,838	12,019	105,059
Total current liabilities	156,118	176,424	1,385,499
<b>Long-term liabilities:</b>			
Bonds (Notes 8 and 14)	30,000	20,000	266,241
Long-term loans and finance lease obligations (Notes 8 and 14)	23,370	30,653	207,401
Deferred tax liabilities (Note 11)	8,433	20,272	74,840
Liability for retirement benefits (Note 10)	14,060	10,803	124,778
Other long-term liabilities	949	870	8,422
Total long-term liabilities	76,813	82,600	681,692
<b>Contingent liabilities (Note 18)</b>			
<b>Net assets:</b>			
Shareholders' equity (Note 12):			
Common stock:			
Authorized—346,980,000 shares			
Issued— 127,408,285 shares in 2016 and 2015	9,699	9,699	86,076
Capital surplus	11,615	11,654	103,080
Retained earnings (Note 22)	213,572	205,203	1,895,385
Treasury stock, at cost (Note 13)—377,300 shares in 2016 and 376,363 shares in 2015	(230)	(228)	(2,041)
Total shareholders' equity	234,657	226,328	2,082,508
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 7)	37,074	44,920	329,020
Deferred (loss) gain on hedges (Note 14)	(9)	3	(80)
Translation adjustments	4,411	9,478	39,146
Retirement benefit liability adjustments (Note 10)	(2,169)	666	(19,249)
Total accumulated other comprehensive income	39,305	55,069	348,820
Non-controlling interests	5,185	6,102	46,015
Total net assets	279,149	287,500	2,477,361
Total liabilities and net assets	¥512,081	¥546,525	\$4,544,560

See notes to consolidated financial statements.

## Consolidated Statement of Income

Nagase & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 21)	¥742,194	¥759,713	\$6,586,741
Cost of sales	650,530	667,722	5,773,252
<b>Gross profit</b>	<b>91,663</b>	91,991	<b>813,481</b>
Selling, general and administrative expenses (Note 16)	73,639	73,838	653,523
<b>Operating income</b> (Note 21)	<b>18,024</b>	18,153	<b>159,957</b>
Other income (expenses):			
Interest and dividend income	1,562	1,456	13,862
Interest expense	(1,048)	(1,098)	(9,301)
Equity in earnings of affiliates	—	616	—
Equity in losses of affiliates	(48)	—	(426)
Gain on sales of investments in securities (Note 7)	70	213	621
Gain on sales of shares of an affiliate	33	—	293
Loss on sales of investments in capital	—	(20)	—
Loss on sales of shares of subsidiaries and affiliates	—	(249)	—
Loss on sales of investments in capital of subsidiaries and affiliates	—	(171)	—
Loss on devaluation of investments in securities	(70)	(479)	(621)
Gain on sales of property, plant and equipment	57	392	506
Loss on sales of property, plant and equipment	(47)	(69)	(417)
Loss on disposal of property, plant and equipment	(251)	(84)	(2,228)
Loss on impairment of fixed assets (Notes 6 and 21)	(2,756)	(602)	(24,459)
Loss on transfer of business	—	(114)	—
Loss on withdrawal from employees' pension funds	—	(163)	—
Other, net	(287)	1,212	(2,547)
<b>Profit before income taxes</b>	<b>15,239</b>	18,989	<b>135,241</b>
Income taxes (Note 11):			
Current	6,536	6,238	58,005
Deferred	(3,763)	834	(33,395)
<b>Profit</b>	<b>12,466</b>	11,916	<b>110,632</b>
Profit attributable to:			
Non-controlling interests	(150)	(597)	(1,331)
<b>Owners of parent</b>	<b>¥ 12,316</b>	¥ 11,318	<b>\$ 109,301</b>

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Nagase & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Profit</b>	<b>¥ 12,466</b>	¥11,916	<b>\$ 110,632</b>
Other comprehensive (loss) income (Note 9):			
Net unrealized holding (loss) gain on securities	(7,844)	20,186	(69,613)
Deferred (loss) gain on hedges	(13)	3	(115)
Translation adjustments	(5,065)	7,339	(44,950)
Retirement benefit liability adjustments	(2,835)	285	(25,160)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(553)	720	(4,908)
	(16,312)	28,536	(144,764)
<b>Comprehensive (loss) income</b>	<b>¥ (3,845)</b>	¥40,453	<b>\$ (34,123)</b>
Total comprehensive (loss) income attributable to:			
Owners of parent	¥ (3,446)	¥39,085	\$ (30,582)
Non-controlling interests	¥ (399)	¥ 1,367	\$ (3,541)

See notes to consolidated financial statements.

## Consolidated Statement of Changes in Net Assets

Nagase & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 10)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2014</b>	¥ 9,699	¥ 10,242	¥ 206,351	¥ (6,916)	¥ 219,377	¥ 24,725	¥ (0)	¥ 2,239	¥ 380	¥ 27,346	¥ 5,168	¥ 251,892
Cumulative effects of changes in accounting policies	—	1,998	(2,791)	—	(792)	—	—	(64)	—	(64)	—	(857)
Adjusted balance at April 1, 2014	9,699	12,240	203,560	(6,916)	218,584	24,725	(0)	2,175	380	27,281	5,168	251,035
Profit attributable to owners of parent	—	—	11,318	—	11,318	—	—	—	—	—	—	11,318
Gain on sales of treasury stock	—	0	—	—	0	—	—	—	—	—	—	0
Cash dividends	—	—	(3,683)	—	(3,683)	—	—	—	—	—	—	(3,683)
Purchases of treasury stock	—	—	—	(1)	(1)	—	—	—	—	—	—	(1)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	—	0
Retirement of treasury stock	—	(607)	(6,081)	6,688	—	—	—	—	—	—	—	—
Changes in parent's ownership interest due to transactions with non-controlling interests	—	21	—	—	21	—	—	—	—	—	—	21
Increase in retained earnings resulting from changes in scope of consolidation	—	—	89	—	89	—	—	—	—	—	—	89
Other changes	—	—	—	—	—	20,194	3	7,303	285	27,787	933	28,720
<b>Balance at April 1, 2015</b>	<b>9,699</b>	<b>11,654</b>	<b>205,203</b>	<b>(228)</b>	<b>226,328</b>	<b>44,920</b>	<b>3</b>	<b>9,478</b>	<b>666</b>	<b>55,069</b>	<b>6,102</b>	<b>287,500</b>
Profit attributable to owners of parent	—	—	12,316	—	12,316	—	—	—	—	—	—	12,316
Cash dividends	—	—	(3,937)	—	(3,937)	—	—	—	—	—	—	(3,937)
Purchases of treasury stock	—	—	—	(1)	(1)	—	—	—	—	—	—	(1)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(38)	—	—	(38)	—	—	—	—	—	—	(38)
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(9)	—	(9)	—	—	—	—	—	—	(9)
Other changes	—	—	—	—	—	(7,845)	(13)	(5,067)	(2,835)	(15,763)	(916)	(16,679)
<b>Balance at March 31, 2016</b>	<b>¥9,699</b>	<b>¥11,615</b>	<b>¥213,572</b>	<b>¥ (230)</b>	<b>¥234,657</b>	<b>¥37,074</b>	<b>¥ (9)</b>	<b>¥ 4,411</b>	<b>¥(2,169)</b>	<b>¥ 39,305</b>	<b>¥5,185</b>	<b>¥279,149</b>

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 10)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
<b>Balance at April 1, 2015</b>	<b>\$86,076</b>	<b>\$103,426</b>	<b>\$1,821,113</b>	<b>\$(2,023)</b>	<b>\$2,008,591</b>	<b>\$398,651</b>	<b>\$ 27</b>	<b>\$ 84,114</b>	<b>\$ 5,911</b>	<b>\$ 488,720</b>	<b>\$54,153</b>	<b>\$2,551,473</b>
Profit attributable to owners of parent	—	—	109,301	—	109,301	—	—	—	—	—	—	109,301
Cash dividends	—	—	(34,940)	—	(34,940)	—	—	—	—	—	—	(34,940)
Purchases of treasury stock	—	—	—	(9)	(9)	—	—	—	—	—	—	(9)
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(337)	—	—	(337)	—	—	—	—	—	—	(337)
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(80)	—	(80)	—	—	—	—	—	—	(80)
Other changes	—	—	—	—	—	(69,622)	(115)	(44,968)	(25,160)	(139,892)	(8,129)	(148,021)
<b>Balance at March 31, 2016</b>	<b>\$86,076</b>	<b>\$103,080</b>	<b>\$1,895,385</b>	<b>\$(2,041)</b>	<b>\$2,082,508</b>	<b>\$329,020</b>	<b>\$ (80)</b>	<b>\$ 39,146</b>	<b>\$(19,249)</b>	<b>\$ 348,820</b>	<b>\$46,015</b>	<b>\$2,477,361</b>

# Consolidated Statement of Cash Flows

Nagase & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Operating activities</b>			
Profit before income taxes	¥ 15,239	¥ 18,989	\$ 135,241
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	9,493	9,292	84,247
Amortization of goodwill	1,634	1,623	14,501
Loss on impairment of fixed assets	2,756	602	24,459
Decrease in liability for retirement benefits	(848)	(507)	(7,526)
Interest and dividend income	(1,562)	(1,456)	(13,862)
Interest expense	1,048	1,098	9,301
Exchange (gain) loss, net	(640)	882	(5,680)
Gain on sales of property, plant and equipment, net	(10)	(322)	(89)
(Gain) loss on sales of investments in securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net	(94)	228	(834)
Changes in operating assets and liabilities:			
Notes and accounts receivable	6,784	2,430	60,206
Inventories	3,162	(7,172)	28,062
Notes and accounts payable	(3,829)	(4,993)	(33,981)
Other, net	(168)	2,324	(1,491)
Subtotal	32,964	23,019	292,545
Interest and dividends received	1,965	1,893	17,439
Interest paid	(1,013)	(1,128)	(8,990)
Income taxes paid	(4,540)	(8,310)	(40,291)
Net cash provided by operating activities	¥ 29,376	¥ 15,474	\$ 260,703
<b>Investing activities</b>			
Purchases of property, plant and equipment	¥ (8,937)	¥(10,899)	\$ (79,313)
Proceeds from sales of property, plant and equipment	414	1,022	3,674
Purchases of investments in securities	(2,129)	(624)	(18,894)
Proceeds from sales of investments in securities	213	2,456	1,890
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(305)	—
Increase in short-term loans receivable included in other current assets, net	(177)	(2)	(1,571)
(Increase) decrease in time deposits, net	(351)	1,165	(3,115)
Purchases of intangible fixed assets included in other assets	(1,898)	(1,046)	(16,844)
Proceeds from transfer of business	—	497	—
Other, net	265	4	2,352
Net cash used in investing activities	(12,600)	(7,732)	(111,821)
<b>Financing activities</b>			
Decrease in short-term loans, net	(3,764)	(1,585)	(33,404)
Proceeds from long-term loans	1,976	9,327	17,536
Repayments of long-term loans	(6,440)	(6,805)	(57,153)
Proceeds from issuance of bonds	9,949	—	88,294
Redemption of bonds	(10,000)	—	(88,747)
Purchase of treasury stock	(1)	(1)	(9)
Cash dividends paid	(3,937)	(3,683)	(34,940)
Cash dividends paid to non-controlling interests	(421)	(334)	(3,736)
Other, net	(182)	(122)	(1,615)
Net cash used in financing activities	(12,822)	(3,205)	(113,791)
Effect of exchange rate changes on cash and cash equivalents	(1,575)	2,129	(13,978)
Net increase in cash and cash equivalents	2,377	6,664	21,095
Cash and cash equivalents at beginning of the year	40,522	33,825	359,620
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	32	—
Cash and cash equivalents at end of the year (Note 20)	¥ 42,900	¥ 40,522	\$ 380,724

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nagase & CO., LTD. and Consolidated Subsidiaries (March 31, 2016)

## 1. BASIS OF PREPARATION

The accompanying consolidated financial statements of NAGASE & CO., LTD. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies that it controls directly or indirectly. Significant affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

For consolidation purposes, the financial statements of the consolidated subsidiaries whose fiscal year end date differs from that of the Company have been included in consolidation based on a provisional statement of accounts for a full fiscal year ending March 31.

Unrealized intercompany gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to non-controlling interests has been charged to non-controlling interests.

### (b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and deferred gain or loss on hedges are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥112.68 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2016. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2016 and 2015 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2016 and 2015 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

adjustments" as a component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheets.

### (c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

### (d) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined primarily by the weighted-average method.

### (e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income or loss.

Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

### (f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets.

The estimated useful lives of the principal assets are as follows:

Buildings	15 to 50 years
(other than structures attached to the buildings)	2 to 18 years
Machinery and equipment	2 to 18 years

### (g) Intangible Assets (except for leased assets)

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years.

Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.



**(h) Goodwill**

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

**(i) Leased Assets**

Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease terms.

**(j) Allowance for Doubtful Accounts**

The Company and its consolidated subsidiaries provide allowances for doubtful accounts based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

**(k) Income Taxes**

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the tax rates which have been enacted as of the balance sheet date or are subsequently enacted.

**(l) Accrued Bonuses for Employees**

Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year.

**(m) Accrued Bonuses for Directors**

Accrued bonuses for directors are provided based on the estimated amount of bonuses to be paid to directors in the following fiscal year which is attributable to the current fiscal year.

**(n) Liabilities for Retirement Benefits**

Liabilities for retirement benefits are provided based on the amount of the retirement benefit obligation less estimated pension plan assets at the end of the fiscal year. The estimated benefit is attributed to each period based on the plan's benefit formula.

Prior service cost is charged to income in the fiscal year in which such cost is recognized for financial reporting purposes. Actuarial gain or loss is principally credited or charged to income in the fiscal year following the fiscal year in which such gain or loss is recognized for financial reporting purposes.

**3. CHANGE IN METHOD OF ACCOUNTING****Accounting Standard for Business Combinations**

The Company adopted the provisions of Paragraph 39 of "Revised Accounting Standard for Consolidated Financial Statements" (Accounting Standards Board of Japan ("ASBJ") Statement No. 22, issued on September 13, 2013). Accordingly, the presentation

**(o) Derivatives and Hedging Activities**

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets. Receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans.

Derivative financial instruments are utilized principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest-rate swaps are also utilized to mitigate the risk of fluctuation in interest rates on loans. Hedging instruments are foreign currency forward exchange contracts, foreign currency deposits, foreign currency loans and interest-rate swaps. Hedged items are foreign currency receivables and payables, forecast transactions and interest rates on loans from financial institutions.

The Company and its consolidated subsidiaries (collectively, the "Group") manage derivative transactions in accordance with internal management rules. Under these rules, the Group conducts foreign currency forward exchange contracts within a range of actual demand of accounts receivable, accounts payable and actual transactions in foreign currencies. Execution and management of interest-rate swaps are based on internal management rules and hedged items of interest-rate swaps are identified by individual contracts.

The Company and certain consolidated subsidiaries assess the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date. However, with regard to interest-rate swaps which meet certain conditions, the evaluation of effectiveness is omitted.

**(p) Research and Development Costs**

Research and development costs are charged to income when incurred.

**(q) Distributions of Retained Earnings**

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 22.)

method of net income was amended, and "minority interests" were changed to "non-controlling interests." Certain reclassifications were made to the previous year's consolidated financial statements to reflect this change in presentation.

**4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE****Implementation Guidance on Recoverability of Deferred Tax Assets**

On March 28, 2016, the ASBJ issued "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

**(1) Overview**

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accountants Audit Committee Report No. 66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

- 1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)
- 2) Category requirements for (Category 2) and (Category 3)
- 3) Treatment related to future deductible temporary differences

which cannot be scheduled in companies that qualify as (Category 2)

- 4) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)
- 5) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

**(2) Scheduled date of adoption**

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending March 31, 2017.

**(3) Impact of adopting revised implementation guidance**

The impact of adopting revised implementation guidance on its consolidated financial statements is nil.

**5. INVENTORIES**

Inventories at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished goods	¥57,404	¥63,719	\$509,443
Work in process	1,726	1,668	15,318
Raw materials and supplies	3,789	3,625	33,626
Total	¥62,920	¥69,013	\$558,395

**6. LOSS ON IMPAIRMENT OF FIXED ASSETS**

Loss on impairment of fixed assets for the years ended March 31, 2016 and 2015 was as follows:

Major use	Classification	Area	Millions of yen		Thousands of U.S. dollars
			2016	2015	2016
Goodwill for developing, manufacturing and selling of industrial adhesives and other	Goodwill	Ohio, U.S.A	¥1,364		\$12,105
Business-use assets for manufacturing and selling of color formers	Buildings and structures, machinery, equipment and vehicles	Tennessee, U.S.A	500		4,437
Business-use assets for processing of thin glass panels	Buildings and structures, machinery, equipment and vehicles	Fujian, China	440		3,905
Business-use assets for processing and selling of plastic materials	Buildings and structures, machinery, equipment and vehicles, intangible assets included in other assets	Kinki	304		2,698
Business-use assets for manufacturing and selling of rechargeable battery systems	Buildings and structures, construction in progress, intangible assets included in other assets	Tokai	36		319
Business-use assets for semiconductors and display devices	Machinery, equipment and vehicles, intangible assets in other assets	Kanto	19		169
Idle assets	Land, buildings and structures, machinery, equipment and vehicles	Kinki and other	91		808
Total			¥2,756		\$24,459

Major use	Classification	Area	Millions of yen
			2015
Business-use assets for manufacturing and selling of rechargeable battery systems	Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets	Tokai	¥78
Business-use assets for manufacturing of polymer products	Buildings and structures, machinery, equipment and vehicles, intangible assets included in other assets	Jiangsu, China	74
Business-use assets for semiconductors and display devices	Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets, long-term prepaid expenses included in other assets	Kanto	176
Idle assets	Land, buildings and structures	Chugoku	273
Total			¥602

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at each asset individually as the smallest cash-generating units.

For the year ended March 31, 2016, as achieving the initially projected level of income could no longer be expected, the carrying value of goodwill mainly for developing, manufacturing and selling industrial adhesives was reduced to the recoverable amount. In addition, due to decreasing profitability on business-use assets, their carrying values were reduced to their recoverable amounts. As to idle assets, due to a declining fair value, their carrying values were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. The value in use of goodwill is measured based on future cash-flows using a discount rate of 9.1%. In addition, the value

in use of processing facilities for thin glass panels is measured based on future cash-flows using a discount rate of 10.1%. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers.

For the year ended March 31, 2015, due to decreasing profitability of manufacturing and selling facilities for rechargeable battery systems, manufacturing facilities for polymer products, and manufacturing facilities for semiconductors and display devices, the carrying value was reduced to their recoverable amounts. As to idle assets, due to declining fair value, the carrying values were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers.

## 7. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen					
	2016			2015		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥69,183	¥16,378	¥52,805	¥81,986	¥16,698	¥65,287
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	518	678	(159)	138	142	(3)
Total	¥69,702	¥17,056	¥52,645	¥82,124	¥16,840	¥65,283

	Thousands of U.S. dollars		
	2016		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$613,978	\$145,350	\$468,628
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	4,597	6,017	(1,411)
Total	\$618,584	\$151,367	\$467,208

"Acquisition costs" in the above table represent the carrying value after recognizing impairment losses. The Company and its consolidated subsidiaries did not recognize any impairment losses on valuation of marketable securities for the years ended March 31, 2016 and 2015.

(b) Securities classified as other securities for which market value was not determinable at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Unlisted equity securities	¥2,144	¥2,234	\$19,027
Total	¥2,144	¥2,234	\$19,027

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds from sales	¥163	¥2,456	\$1,447
Gain on sales	70	213	621
Loss on sales	9	0	80

## 8. SHORT-TERM LOANS, BONDS, LONG-TERM LOANS AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2016 and 2015, principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 1.31% and 1.38% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured loans primarily from banks and insurance companies, payable in Yen, U.S. dollars, Euro, and RMB, due through 2023, at rates from 0.54% to 2.60%	¥31,932	¥36,700	\$283,387
Unsecured bonds in Yen, due 2015, at a rate of 0.306%	—	10,000	—
Unsecured bonds in Yen, due 2017, at a rate of 0.442%	10,000	10,000	88,747
Unsecured bonds in Yen, due 2019, at a rate of 0.753%	10,000	10,000	88,747
Unsecured bonds in Yen, due 2022, at a rate of 0.539%	10,000	—	88,747
Lease obligations	333	407	2,955
	62,265	67,107	552,583
Less current portion	(8,895)	(16,454)	(78,940)
Total	¥53,370	¥50,653	\$473,642

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2016 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥8,895	\$78,940
2018	14,018	124,405
2019	10,699	94,950
2020	10,216	90,664
2021	195	1,731
2022 and thereafter	18,239	161,865
Total	¥62,265	\$552,583

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2016 and 2015 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Lines of credit	¥10,000	¥10,000	\$88,747
Credit utilized	—	—	—

## 9. OTHER COMPREHENSIVE (LOSS) INCOME

Reclassification adjustments and tax effects allocated to each component of other comprehensive (loss) income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized holding (loss) gain on investments in securities:			
Amount arising during the year	¥(12,628)	¥28,014	\$(112,070)
Reclassification adjustments for gains and losses realized in the statement of income	(49)	(192)	(435)
Amount before tax effect	(12,678)	27,821	(112,513)
Tax effect	4,834	(7,634)	42,900
Net unrealized holding (loss) gain on investments in securities	(7,844)	20,186	(69,613)
Deferred (loss) gain on hedges:			
Amount arising during the year	(16)	(200)	(142)
Reclassification adjustments for gains and losses realized in the statement of income	(3)	206	(27)
Amount before tax effect	(19)	5	(169)
Tax effect	6	(1)	53
Deferred (loss) gain on hedges	(13)	3	(115)
Translation adjustments:			
Amount arising during the year	(5,021)	7,280	(44,560)
Reclassification adjustments for gains and losses realized in the statement of income	—	58	—
Amount before tax effect	(5,021)	7,339	(44,560)
Tax effect	(44)	—	(390)
Translation adjustments	(5,065)	7,339	(44,950)
Retirement benefit liability adjustments:			
Amount arising during the year	(3,173)	847	(28,159)
Reclassification adjustments for gains and losses realized in the statement of income	(957)	(439)	(8,493)
Amount before tax effect	(4,130)	408	(36,652)
Tax effect	1,294	(122)	11,484
Retirement benefit liability adjustments	(2,835)	285	(25,160)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Amount arising during the year	(553)	720	(4,908)
Total other comprehensive (loss) income	¥(16,312)	¥28,536	\$(144,764)

## 10. RETIREMENT BENEFIT PLANS

### (a) Outline of retirement benefit plans for employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans. Also, the Company and certain

consolidated subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

### (b) Defined benefit pension plans

The changes in the retirement benefit obligation for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at the beginning of the year	¥29,613	¥29,321	\$262,806
Service cost	1,312	1,297	11,644
Interest cost	382	369	3,390
Actuarial differences	2,847	197	25,266
Retirement benefits paid	(1,126)	(1,283)	(9,993)
Changes in scope of consolidation	—	(336)	—
Other	(36)	47	(319)
Balance at the end of the year	¥32,993	¥29,613	\$292,803

The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at the beginning of the year	¥18,810	¥17,559	\$166,933
Expected return on plan assets	400	367	3,550
Actuarial differences	(331)	1,044	(2,938)
Contributions by the Company and its consolidated subsidiaries	697	816	6,186
Retirement benefits paid	(632)	(718)	(5,609)
Changes in scope of consolidation	—	(271)	—
Other	(12)	13	(106)
Balance at the end of the year	¥18,932	¥18,810	\$168,016

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 22,047	¥ 19,340	\$ 195,660
Plan assets at fair value	(18,932)	(18,810)	(168,016)
	3,115	529	27,645
Unfunded retirement benefit obligation	10,945	10,273	97,133
Net liability for retirement benefits in the balance sheets	14,060	10,803	124,778
Liability for retirement benefits	14,060	10,803	124,778
Net liability for retirement benefits in the balance sheets	¥ 14,060	¥ 10,803	\$ 124,778

The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥1,312	¥1,297	\$11,614
Interest cost	382	369	3,390
Expected return on plan assets	(400)	(367)	(3,550)
Amortization of actuarial differences	(957)	(439)	(8,493)
Other	—	166	—
Retirement benefit expenses	¥ 337	¥1,027	\$ 2,991

Actuarial differences included in other comprehensive (loss) income (before tax effect) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Actuarial differences	¥(4,130)	¥408	\$(36,652)

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized actuarial differences	¥(3,131)	¥999	\$(27,787)

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2016 and 2015 is as follows:

	2016	2015
Bonds	74%	71%
Equity securities	15	17
Other	11	12
Total	100%	100%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and long-term rate expected to earn the profit from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	2016	2015
Discount rate	0.8%	1.4%
Expected long-term rate of return on plan assets	2.1%	2.1%

### (c) Defined contribution pension plans

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries	¥279	¥238	\$2,476

## 11. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 33.1% and 35.6% for the years ended March 31, 2016 and 2015, respectively.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015 differ from the statutory tax rates for the following reasons:

	2016	2015
Statutory tax rates	33.1%	35.6%
Adjustments for:		
Expenses not deductible for income tax purposes	2.4	2.9
Dividends and other income deductible for income tax purposes	(12.3)	(17.0)
Net adjustment resulting from elimination of dividend income upon consolidation	12.4	16.8
Different tax rates applied at overseas subsidiaries	(5.9)	(6.2)
Tax credit	(2.5)	(1.0)
Amortization of goodwill	3.5	3.0
Loss on impairment of goodwill	3.0	—
Valuation allowance	(1.3)	1.8
Decrease in deferred tax assets resulting from change in statutory tax rate	2.9	2.7
Decrease in tax expenses resulting from application of consolidated taxation system	(18.3)	—
Other, net	1.2	(1.4)
Effective tax rates	18.2%	37.2%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Accrued bonuses for employees	¥ 1,141	¥ 1,258	\$ 10,126
Allowance for doubtful accounts	290	417	2,574
Unrealized gain on inventories	561	574	4,979
Accrued enterprise taxes	379	192	3,364
Tax loss carryforwards	3,044	14,424	27,015
Liability for retirement benefits	4,343	3,487	38,543
Investments in securities	1,040	1,025	9,230
Loss on impairment of fixed assets	1,038	791	9,212
Tax goodwill	10,567	—	93,779
Other	2,585	2,254	22,941
Gross deferred tax assets	24,992	24,427	221,796
Valuation allowance	(5,522)	(9,482)	(49,006)
Total deferred tax assets	¥ 19,469	¥ 14,945	\$ 172,781
Deferred tax liabilities:			
Technology-based assets	¥ (4,687)	¥ (5,443)	\$ (41,596)
Deferred capital gain on property	(1,410)	(1,821)	(12,513)
Reserve for special depreciation	(103)	(216)	(914)
Undistributed earnings of overseas subsidiaries	(255)	(417)	(2,263)
Revaluation of land	(312)	(328)	(2,769)
Net unrealized holding gain on securities	(15,757)	(20,422)	(139,838)
Other	(1,002)	(146)	(8,892)
Total deferred tax liabilities	(23,529)	(28,796)	(208,813)
Net deferred tax liabilities	¥ (4,059)	¥ (13,851)	\$ (36,022)

The "Act for Partial Amendment of the Income Tax Act etc." (Act No. 15 of 2016) and "Act for Partial Amendment of the Local Tax Act etc." (Act No. 13 of 2016) were enacted during the Japanese Diet session on March 29, 2016. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities were reduced from 32.3% to 30.9% for temporary differences which are expected to be realized during the period from April 1, 2016 to March 31, 2018 and to 30.6% for those which are expected to be realized on or after April 1, 2018.

As a result of this change, deferred tax liabilities, net of deferred tax assets, decreased by ¥381 million (\$3,381 thousand) and income taxes—deferred (debit) and accumulated other comprehensive income increased by ¥448 million (\$3,976 thousand) and ¥830 million (\$7,366 thousand), respectively, as of and for the year ended March 31, 2016.

## 12. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's capital reserve included in capital surplus at

The Company and certain consolidated subsidiaries have been approved regarding the application of the consolidated taxation system from the year ending March 31, 2017. Therefore, effective for the year ended March 31, 2016, taxes have been accounted for assuming the application of consolidated taxation system in accordance with the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 1)" (ASBJ Practical Issues Task Force ("PITF") No. 5 of January 16, 2015) and the "Practical Solution on Tentative Treatment of Tax Effect Accounting under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7 of January 16, 2015).

As a result of this change, income taxes—current and deferred (debit) decreased by ¥5,192 million (\$46,077 thousand) for the year ended March 31, 2016.

March 31, 2016 amounted to ¥9,634 million (\$85,499 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2016 amounted to ¥2,424 million (\$21,512 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2016 and 2015 are summarized as follows:

	Number of shares			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Common stock	127,408,285	—	—	127,408,285
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Common stock	138,408,285	—	11,000,000	127,408,285

The decrease in common stock consists of 11,000,000 shares resulting from retirement of treasury stock by resolution of the Board of Directors for the year ended March 31, 2015.

### 13. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2016 and 2015 are summarized as follows:

	Number of shares			
	2016			
	April 1, 2015	Increase	Decrease	March 31, 2016
Treasury stock	376,363	937	—	377,300
	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Treasury stock	11,375,631	810	11,000,078	376,363

The increase in treasury stock consists of 937 shares resulting from the purchase of shares of less than one voting unit for the year ended March 31, 2016.

The increase in treasury stock consists of 810 shares resulting from the purchase of shares of less than one voting unit for the year

ended March 31, 2015. The decrease in treasury stock consists of 11,000,000 shares resulting from retirement of treasury stock by resolution of the Board of Directors and 78 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2015.

### 14. FINANCIAL INSTRUMENTS

#### (a) Policy for Financial Instruments

The Group invests excess funds in highly secure and short-term financial assets, whose principal is guaranteed to be recoverable. With regard to financing policy, short-term working funds are raised by bank borrowings or issuance of commercial paper and long-term funds are raised by bank borrowings and the issuance of bonds. The policy for derivative transactions is that those are utilized to mitigate the foreign currency exchange rate fluctuation risk arising from the receivables and payables denominated in foreign currencies, and fluctuation risk related to interest rates with respect to loans payable, and derivative transactions are not carried out for speculative purposes.

#### (b) Types of Financial Instruments, Related Risk and Risk Management for Financial Instruments

Receivables such as trade notes and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer based on the Group's internal credit rating policy and monitors outstanding balances. The Group establishes system under which the credit status by each customer is reviewed at least once a year and the sales limit amount updated as necessary.

In the cases of notes and accounts receivable or payable denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation. However, for foreign

currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward exchange contracts are used solely for the netted position.

Investments in securities are subject to market price fluctuation risk. However, these are mainly equity securities of other companies with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuer. The Group also reviews as needed the condition of its holdings with concern to the status of business and financial transactions.

Short-term loans are raised primarily in connection with business activities. Long-term loans and bonds are taken out principally for the purpose of making capital spending, investments and financing. Loans with variable interest rates are subject to the risk of fluctuating interest rates. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives include foreign currency forward exchange contracts to manage fluctuation risk in foreign currency exchange rates and interest-rate swaps to manage fluctuation risk of interest rates related to the interest payments for bank loans.

In addition, notes and accounts payable and bank loans are exposed to liquidity risk. However, the Group manages such risk by monitoring the balance of inflow and outflow of cash and establishing liquidity on hand in excess of half of the amount of monthly net sales.

#### (c) Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the differences as of March 31, 2016 and 2015, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2016		
	Carrying value	Fair value	Difference
Assets			
Cash and time deposits	¥ 43,283	¥ 43,283	¥ —
Notes and accounts receivable	196,335	196,335	—
Investments in securities			
Other securities	69,702	69,702	—
Total assets	¥309,320	¥309,320	¥ —
Liabilities			
Notes and accounts payable	¥ 97,800	¥ 97,800	¥ —
Short-term loans	25,294	25,294	—
Current portion of long-term loans	8,823	8,823	—
Bonds	30,000	30,430	430
Long-term loans	23,108	23,375	266
Total liabilities	¥185,027	¥185,723	¥696
Derivatives (*)			
Not subject to hedge accounting	¥ 108	¥ 108	¥ —
Subject to hedge accounting	3	3	—
Total derivative transactions	¥ 111	¥ 111	¥ —

	Millions of yen		
	2015		
	Carrying value	Fair value	Difference
Assets			
Cash and time deposits	¥ 40,575	¥ 40,575	¥ —
Notes and accounts receivable	208,209	208,209	—
Investments in securities			
Other securities	82,124	82,124	—
Total assets	¥330,909	¥330,909	¥ —
Liabilities			
Notes and accounts payable	¥105,737	¥105,737	¥ (0)
Short-term loans	31,388	31,388	—
Current portion of long-term loans	6,377	6,377	—
Current portion of bonds	10,000	10,002	2
Bonds	20,000	20,231	231
Long-term loans	30,322	30,609	286
Total liabilities	¥203,826	¥204,345	¥518
Derivatives (*)			
Not subject to hedge accounting	¥ (186)	¥ (186)	¥ —
Subject to hedge accounting	3	3	—
Total derivative transactions	¥ (183)	¥ (183)	¥ —

	Thousands of U.S. dollars		
	2016		
	Carrying value	Fair value	Difference
<b>Assets</b>			
Cash and time deposits	\$ 384,123	\$ 384,123	\$ —
Notes and accounts receivable	1,742,412	1,742,412	—
Investments in securities			
Other securities	618,584	618,584	—
<b>Total assets</b>	<b>\$2,745,119</b>	<b>\$2,745,119</b>	<b>\$ —</b>
<b>Liabilities</b>			
Notes and accounts payable	\$ 867,945	\$ 867,945	\$ —
Short-term loans	224,476	224,476	—
Current portion of long-term loans	78,301	78,301	—
Bonds	266,241	270,057	3,816
Long-term loans	205,076	207,446	2,361
<b>Total liabilities</b>	<b>\$1,642,057</b>	<b>\$1,648,234</b>	<b>\$6,177</b>
<b>Derivatives (*)</b>			
Not subject to hedge accounting	\$ 958	\$ 958	\$ —
Subject to hedge accounting	27	27	—
<b>Total derivative transactions</b>	<b>\$ 985</b>	<b>\$ 985</b>	<b>\$ —</b>

(\*) Receivables and payables arising from derivative transactions are presented as a net value with the amount in parentheses representing a net liability position.

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

#### Cash and time deposits

Their carrying value approximates the fair value.

#### Notes and accounts receivable

The fair value of notes and accounts receivable is based on their present values discounted by the interest rate determined taking into account the remaining period to maturity for each receivable classified by settlement date.

#### Investments in securities

The fair value of investment in securities is based on quoted market prices. Please refer to Note 7 regarding information on securities by holding purpose.

#### Notes and accounts payable

The fair value of notes and accounts payable is based on their present values discounted by the interest rate determined taking into account the remaining period to maturity for each payable classified by settlement date.

#### Short-term loans and current portion of long-term loans

Since these items are settled in a short period of time, their carrying value approximates the fair value.

#### Bonds

The fair value of bonds is based on the market price.

#### Long-term loans

The fair value of long-term loans with fixed interest rates is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under similar conditions to existing loans are made. Floating interest rates for long-term loans are hedged by interest-rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans is based on the present value of the total of principals, interests and net cash flows of swap agreements discounted by the interest rates, estimated reasonably, applicable to new loans under similar conditions.

#### Derivative transactions

Please refer to Note 15.

The carrying value of financial instruments without determinable market value at March 31, 2016 and 2015 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities	¥ 2,144	¥ 2,234	\$ 19,027
Investments in unconsolidated subsidiaries and affiliates	9,498	8,280	84,292
<b>Total</b>	<b>¥11,642</b>	<b>¥10,514</b>	<b>\$103,319</b>

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2016 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 43,252	¥—
Notes and accounts receivable	196,335	—
<b>Total</b>	<b>¥239,588</b>	<b>¥—</b>

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 383,848	\$—
Notes and accounts receivable	1,742,412	—
<b>Total</b>	<b>\$2,126,269</b>	<b>\$—</b>

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 8.

## 15. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2016 and 2015 are as follows:

Classification	Transaction	Millions of yen			
		2016		Fair value	Valuation gain (loss)
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)		
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥ 5,629	¥—	¥ 51	¥ 51
	Yen	1,520	—	(10)	(10)
	Euro	656	—	9	9
	RMB	516	—	2	2
Over-the-counter transactions	SGD	67	—	0	0
	Others	74	—	(0)	(0)
	Buying:				
	U.S. dollars	1,423	—	54	54
	Yen	563	—	0	0
	Euro	43	—	(0)	(0)
	Others	2	—	(0)	(0)
<b>Total</b>		<b>¥10,497</b>	<b>¥—</b>	<b>¥108</b>	<b>¥108</b>

Classification	Transaction	Millions of yen			
		2015		Fair value	Valuation gain (loss)
		Contract value (notional principal amount)	Contract value (notional principal amount over one year)		
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥ 8,464	¥—	¥ (98)	¥ (98)
	Yen	2,386	—	(74)	(74)
	Euro	718	—	35	35
	RMB	577	—	(13)	(13)
Over-the-counter transactions	SGD	99	66	(2)	(2)
	Others	18	—	0	0
	Buying:				
	U.S. dollars	1,683	—	(30)	(30)
	Yen	394	—	(0)	(0)
	Euro	84	—	(2)	(2)
	Others	14	—	0	0
<b>Total</b>		<b>¥14,443</b>	<b>¥66</b>	<b>¥(186)</b>	<b>¥(186)</b>

		Thousands of U.S. dollars			
		2016			
Classification	Transaction	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	\$49,956	\$—	\$453	\$453
	Yen	13,490	—	(89)	(89)
	Euro	5,822	—	80	80
	RMB	4,579	—	18	18
Over-the-counter transactions	SGD	595	—	0	0
	Others	657	—	(0)	(0)
	Buying:				
	U.S. dollars	12,629	—	479	479
	Yen	4,996	—	0	0
	Euro	382	—	(0)	(0)
	Others	18	—	(0)	(0)
Total		\$93,158	\$—	\$958	\$958

The fair value of foreign currency forward exchange contracts is computed using the prices provided by counterparty financial institutions.

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2016 and 2015 are as follows:

		Millions of yen			
		2016			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars		¥ 44	¥—	¥ 1
	Euro	Accounts receivable	204	—	3
Deferral hedge accounting	RMB		58	—	0
	Others		8	—	(0)
	Buying:				
	U.S. dollars		13	—	(0)
	Euro	Accounts payable	25	—	(0)
	THB		20	—	(0)
	Others		36	—	(0)
	Foreign currency forward exchange contracts:				
	Selling				
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Euro	Accounts receivable	0	—	(*)
	Buying:				
	Euro	Accounts payable	49	—	(*)
	Others		7	—	(*)
Total			¥469	¥—	¥ 3

		Millions of yen			
		2015			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars		¥ 39	¥—	¥(0)
Deferral hedge accounting	Euro	Accounts receivable	221	—	10
	Others		144	—	(2)
	Buying:				
	U.S. dollars		25	—	0
	Euro	Accounts payable	146	—	(4)
	Others		48	—	(0)
	Foreign currency forward exchange contracts:				
	Buying:				
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Euro	Accounts payable	18	—	(*)
	Others		0	—	(*)
Total			¥645	¥—	¥3

		Thousands of U.S. dollars			
		2016			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars		\$ 390	\$—	\$ 9
Deferral hedge accounting	Euro	Accounts receivable	1,810	—	27
	RMB		515	—	0
	Others		71	—	(0)
	Buying:				
	U.S. dollars		115	—	(0)
	Euro	Accounts payable	222	—	(0)
	THB		177	—	(0)
	Others		319	—	(0)
	Foreign currency forward exchange contracts:				
	Selling				
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Euro	Accounts receivable	0	—	(*)
	Buying:				
	Euro	Accounts payable	435	—	(*)
	Others		62	—	(*)
Total			\$4,162	\$—	\$27

The fair value of foreign currency forward exchange contracts is computed using the prices provided by counterparty financial institutions.

(\*) The fair value of foreign currency forward exchange contracts that qualify for the allocation method is included in the fair value of the underlying accounts receivable and payable.

## Notes to Consolidated Financial Statements

The interest-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2016 and 2015 are as follows.

Millions of yen					
2016					
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay—fixed, receive—variable)	Long-term loans	¥25,626	¥20,439	(**)

Millions of yen					
2015					
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay—fixed, receive—variable)	Long-term loans	¥30,705	¥25,677	(**)

Thousands of U.S. dollars					
2016					
Method for hedge accounting	Transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Swap rates applied to underlying long-term loans	Interest-rate swap transactions (pay—fixed, receive—variable)	Long-term loans	\$227,423	\$181,390	(**)

(\*\*): Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans, their fair values were included in the fair value of the long-term loans.

## 16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 totaled ¥5,063 million (\$44,933 thousand) and ¥4,904 million, respectively.

## 17. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2016 under operating leases are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥445	\$3,949
2018 and thereafter	521	4,624
Total	¥967	\$8,582

## 18. CONTINGENT LIABILITIES

At March 31, 2016, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥788 million (\$6,933 thousand).

In addition, at March 31, 2016, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed for a total amount of ¥209 million (\$1,855 thousand).

## 19. AMOUNTS PER SHARE

Amounts per share at March 31, 2016 and 2015 and for the years then ended are as follows:

	Yen		U.S. dollars
	2016	2015	2016
Profit attributable to owners of parent:			
Basic	¥ 96.96	¥ 89.10	\$ 0.86
Diluted	—	—	—
Net assets	2,156.67	2,215.18	19.14
Cash dividends applicable to the year	32.00	30.00	0.28

Basic profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2016 and 2015 have not been presented because no potentially dilutive shares of common stock were outstanding.

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic profit attributable to owners of parent per share for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Profit attributable to owners of parent	¥12,316	¥11,318	\$109,301
Profit available for distribution to shareholders of common stock	¥12,316	¥11,318	\$109,301
Weighted-average number of shares	127,031,413	127,032,358	

## 20. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2016 and 2015 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and time deposits	¥43,283	¥40,575	\$384,123
Long-term deposit included in other assets of investments and other assets	1	1	9
Time deposits with maturities of more than three months	(384)	(54)	(3,408)
Cash and cash equivalents	¥42,900	¥40,522	\$380,724



## 21. SEGMENT INFORMATION

## (a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources and assesses their performance.

Reflecting the respective positions of each business in the value chain, as well as identifying the most closely aligned industries, the Company defined five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (functioning within the corresponding industries).

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials, plastic materials, plastic additives, industrial oil solutions, surfactants, fluorochemicals, encapsulant materials, silicone materials, and more to industries related to the paints/inks, resins, urethane foam, organic synthesis, surfactants, semiconductors.

The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, dyes, functional dyes, information printing products, thermoplastic resins, thermosetting resins, synthetic rubber, inorganic materials, plastics products, resins molding tools/dies, and external inspection equipment, and more to industries related to dyes/additives, information printing, fiber processing, raw resin

## (c) Information on net sales, income or loss, assets and other items for each reportable segment

Information by reportable segments for the year ended March 31, 2016 is as follows:

	Millions of yen										
	2016										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥157,149	¥255,505	¥127,926	¥115,351	¥85,571	¥741,505	¥ 689	¥742,194	¥ —	¥ —	¥742,194
Intersegment sales and transfers	1,955	2,241	1,211	2,626	514	8,549	5,851	14,401	—	(14,401)	—
Net sales	159,105	257,747	129,138	117,978	86,086	750,055	6,540	756,595	—	(14,401)	742,194
Segment income	¥ 3,679	¥ 4,979	¥ 6,255	¥ 1,300	¥ 3,864	¥ 20,079	¥ 215	¥ 20,295	¥ (2,725)	¥ 455	¥ 18,024
Segment assets	¥ 71,042	¥122,802	¥ 62,912	¥ 42,136	¥99,620	¥398,514	¥7,213	¥405,728	¥145,038	¥(38,685)	¥512,081
Other items											
Depreciation and amortization other than amortization of goodwill	¥ 509	¥ 859	¥ 2,672	¥ 157	¥ 3,258	¥ 7,458	¥ 208	¥ 7,667	¥ 1,826	¥ —	¥ 9,493
Amortization of goodwill	—	—	132	—	1,502	1,634	—	1,634	—	—	1,634
Unamortized balance of goodwill	—	—	672	—	23,909	24,582	—	24,582	—	—	24,582
Investments in affiliates accounted for by the equity method	1,752	2,389	1,968	1,355	2,385	9,852	1,944	11,797	—	(53)	11,743
Increase in property, plant and equipment, net and intangible assets	1,690	1,466	2,855	244	2,341	8,598	158	8,757	2,368	—	11,125

materials, resin molding, and functional films and sheets.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD/semiconductors, materials for LCD panels, materials and devices for semiconductor assembly, low-temperatures/vacuum equipment, high-function epoxy resins, precision electronics abrasives, and more to industries related to the displays, touch panels, LCDs, semiconductors, HDDs, electronic components, heavy electrical, and other.

The Automotive & Energy segment is engaged in sales of plastics products, thermoplastic resins, thermosetting resins, resins molding tools/dies, battery materials, solar cell/secondary battery-related materials, and more to industries related to automotive, automotive components, and energy.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/agricultural chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, additives for cosmetics, feeds/fertilizers and surfactants, and radiation measurement services to industries related to pharmaceuticals, food, cosmetics, and other. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

## (b) Calculation methods of net sales, income or loss, assets, and other items by reportable segments

The accounting policies of reportable segments are generally identical to those described in Note 2. Reportable segment income corresponds to operating income in the consolidated statements of income. Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

	Millions of yen										
	2015										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥168,238	¥254,165	¥149,947	¥109,851	¥76,609	¥758,812	¥ 900	¥759,713	¥ —	¥ —	¥759,713
Intersegment sales and transfers	2,361	2,224	858	2,827	286	8,559	4,955	13,515	—	(13,515)	—
Net sales	170,600	256,390	150,805	112,679	76,896	767,372	5,856	773,229	—	(13,515)	759,713
Segment income	¥ 4,302	¥ 4,804	¥ 5,583	¥ 2,229	¥ 3,157	¥ 20,077	¥ 201	¥ 20,278	¥ (2,600)	¥ 475	¥ 18,153
Segment assets	¥ 75,590	¥131,543	¥ 66,862	¥ 45,213	¥98,250	¥417,461	¥7,210	¥424,671	¥155,720	¥(33,866)	¥546,525
Other items											
Depreciation and amortization other than amortization of goodwill	¥ 483	¥ 802	¥ 2,649	¥ 122	¥ 3,136	¥ 7,193	¥ 198	¥ 7,392	¥ 1,900	¥ —	¥ 9,292
Amortization of goodwill	—	—	120	—	1,502	1,623	—	1,623	—	—	1,623
Unamortized balance of goodwill	—	—	2,214	—	25,412	27,626	—	27,626	—	—	27,626
Investments in affiliates accounted for by the equity method	2,079	2,507	132	1,932	2,219	8,871	1,896	10,768	—	(57)	10,711
Increase in property, plant and equipment, net and intangible assets	330	1,392	2,460	346	5,720	10,250	317	10,568	1,144	—	11,712

	Thousands of U.S. dollars										
	2016										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	\$1,394,649	\$2,267,528	\$1,135,304	\$1,023,704	\$759,416	\$6,580,627	\$ 6,115	\$6,586,741	\$ —	\$ —	\$6,586,741
Intersegment sales and transfers	17,350	19,888	10,747	23,305	4,562	75,870	51,926	127,804	—	(127,804)	—
Net sales	1,412,007	2,287,425	1,146,060	1,047,018	763,987	6,656,505	58,040	6,714,546	—	(127,804)	6,586,741
Segment income	\$ 32,650	\$ 44,187	\$ 55,511	\$ 11,537	\$ 34,292	\$ 178,195	\$ 1,908	\$ 180,112	\$ (24,184)	\$ 4,038	\$ 159,957
Segment assets	\$ 630,476	\$1,089,830	\$ 558,324	\$ 373,944	\$884,097	\$3,536,688	\$64,013	\$3,600,710	\$1,287,167	\$ (343,317)	\$4,544,560
Other items											
Depreciation and amortization other than amortization of goodwill	\$ 4,517	\$ 7,623	\$ 23,713	\$ 1,393	\$ 28,914	\$ 66,187	\$ 1,846	\$ 68,042	\$ 16,205	\$ —	\$ 84,247
Amortization of goodwill	—	—	1,171	—	13,330	14,501	—	14,501	—	—	14,501
Unamortized balance of goodwill	—	—	5,964	—	212,185	218,158	—	218,158	—	—	218,158
Investments in affiliates accounted for by the equity method	15,548	21,202	17,465	12,025	21,166	87,433	17,252	104,695	—	(470)	104,215
Increase in property, plant and equipment, net and intangible assets	14,998	13,010	25,337	2,165	20,766	76,305	1,402	77,716	21,015	—	98,731

**(d) Geographical information**

Net sales by country or region for the years ended March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥363,038	¥374,208	\$3,221,849
North-east Asia	221,197	217,232	1,963,055
South-east Asia	109,837	122,493	974,769
North America	30,684	29,995	272,311
Europe/Other	17,437	15,783	154,748
Total	¥742,194	¥759,713	\$6,586,741

Net sales are classified by country or region based on locations of customers.

Property, plant and equipment by country or region as of March 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Japan	¥59,646	¥58,897	\$529,340
Other	6,828	7,877	60,596
Total	¥66,474	¥66,774	\$589,936

**(e) Information on loss on impairment of fixed assets per reportable segments**

Loss on impairment of fixed assets for the years ended March 31, 2016 and 2015 is as follows:

	Millions of yen								
	2016								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥818	¥1,862	¥36	¥—	¥2,717	¥—	¥39	¥2,756

	Millions of yen								
	2015								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥—	¥74	¥176	¥78	¥—	¥328	¥—	¥273	¥602

	Thousands of U.S. dollars								
	2016								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics	Automotive & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	\$—	\$7,259	\$16,525	\$319	\$—	\$24,113	\$—	\$346	\$24,459

**22. SUBSEQUENT EVENTS**

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016, was approved at a meeting of the shareholders held on June 29, 2016:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥16.0 = U.S.\$0.14 per share)	¥2,032	\$18,033

**Independent Auditor's Report**

Ernst & Young ShinNihon LLC

**Independent Auditor's Report**

The Board of Directors  
NAGASE & CO., LTD.

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and its consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 29, 2016  
Osaka, Japan

A member firm of Ernst & Young Global Limited

# Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method As of March 31, 2016

Category	Company name	Description of business	Location	Year of establishment
<b>Japan</b>				
<b>Manufacturing and Processing</b>				
●	Nagase ChemteX Corporation	Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrine derivatives, electronics materials, etc	Osaka Pref.	1970
●	Hayashibara Co., Ltd.	Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Okayama Pref.	1932
●	Nagase Medicals Co., Ltd.	Manufacture and sale of pharmaceuticals, animal drugs, health foods, and cosmetics	Hyogo Pref.	1972
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	Osaka Pref.	1966
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	Osaka Pref.	1952
●	Kotobuki Kasei Corporation	Molding, processing and sale of plastic products	Tochigi Pref.	1972
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these	Tokyo Pref.	1989
●	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	Fukui Pref.	1985
●	Nagase Filter Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	Osaka Pref.	2006
●	CAPTEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	Aichi Pref.	2004
●	Kawai Hiryo Corporation	Manufacture and sale of organic fertilizers and agricultural chemicals and materials	Shizuoka Pref.	1981
○	Sun Delta Corporation	Development of applications for synthetic plastic products and manufacture and sale of processed products	Tokyo Pref.	2005
○	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	Kanagawa Pref.	1968
○	Toyo Beauty Supply Corporation	Contract manufacture of cosmetics and health foods	Tokyo Pref.	1964
○	eX. Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	Osaka Pref.	2003
○	SN Tech Corporation	Manufacture of developer, recycling business	Osaka Pref.	2008
○	Nissei Technology Corporation	Design, development, and manufacture of ultra-precision plastic lenses and optical units; manufacture of precision mechanical components and units	Hyogo Pref.	1953
	Nihon Bio Fertilizer Co., Ltd.	Manufacture and sale of organic fertilizer	Shizuoka Pref.	1986
	Uma Yasai Farm Corporation	Processing and sale of agricultural and livestock goods	Shizuoka Pref.	2008
<b>Servicing</b>				
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	Hyogo Pref.	1982
●	Nagase Techno Service Co., Ltd.	Sales of BPO services, catalog & online commerce, recordable media, RFID; logistics services	Chiba Pref.	1991
●	Nagase General Service Co., Ltd.	Sale and lease of various goods, real estate administration	Tokyo Pref.	1983
●	Nagase Information Development, Ltd.	Software development and maintenance	Tokyo Pref.	1987
●	Nagase Trade Management Co., Ltd.	Import/export and receivables/payables administration; shared services for receipts/disbursements	Tokyo Pref.	1996
●	Nagase Chemspec Co., Ltd.	Sale and technical servicing of chemicals	Tokyo Pref.	1976
○	Nagase Landauer, Ltd.	Radiation measuring services	Ibaraki Pref.	1974
	Nagase Logistics Support Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	Hyogo Pref.	1954
	Choko Co., Ltd.	Insurance agency	Osaka Pref.	1971

Category	Company name	Description of business	Location	Year of establishment
<b>Sales</b>				
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	Tokyo Pref.	1995
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	Osaka Pref.	1975
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	Tokyo Pref.	1991
●	Nishinohon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	Fukuoka Pref.	1969
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	Tokyo Pref.	1979
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	Osaka Pref.	1955
●	Nagase Sanbio Co., Ltd.	Sales of medicine for agriculture and additives for fertilizers, feed and food	Tokyo Pref.	1987
●	Nagase Tool Matex Co., Ltd.	Sale of auto models, test production materials, and carbon fiber composites	Tokyo Pref.	1965
●	LAUDI Co., Ltd.	Research and development, manufacturing, processing, domestic sales, and export of beauty care products and related raw materials.	Tokyo Pref.	2015
○	Nagase-OG Colors & Chemicals Co., Ltd.	Purchasing and information services related to dyes, industrial chemicals, etc.	Osaka Pref.	1957
○	OnFine Co., Ltd.	Manufacture and sale of electronics and fluorine and polysilane variants for use in materials	Osaka Pref.	2002
	Nihon UNF Co., Ltd.	Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals	Shizuoka Pref.	2001
<b>Greater China and Korea</b>				
<b>Manufacturing and Processing</b>				
●	Nagase ChemteX (Wuxi) Corporation	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services	China	2002
●	Totaku Industries Suzhou Co., Ltd.	Manufacture and sale of plastic products	China	2005
●	Nagase Electronics Technology Co., Ltd.	Chemical etching of liquid crystal glass panel units	Taiwan	2005
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	Korea	1997
●	Nagase Electronics Technology (Xiamen) Co., Ltd.	Chemical etching of liquid crystal glass panel units	China	2010
○	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	China	2001
○	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	China	2004
○	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	China	1993
○	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	China	2005
○	Light Chemical (Changzhou) Co., Ltd.	Research, development, and after-sale service for high-function composites and intermediates; sales of internally developed products	China	2011
	ON Textile Chemicals (Shanghai) Co., LTD.	Manufacture, sales, and export/import of textile-related products, dyeing processing agents	China	2003
	Wuxi Chenghong Electronic Chemicals Co., LTD.	Research/Development, manufacture, and sales of electronics chemicals including semiconductors and flat panel display (FPD)	China	2013
<b>Servicing</b>				
	Nagase CMS Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	China	2006
	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	China	2008
	Nagase Business Management and Planning (Shanghai) Co., Ltd.	Management of Nagase Group operations and promotion of business strategies related to Greater China	China	2011

## Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method

Category	Company name	Description of business	Location	Year of establishment
<b>Sales</b>				
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	China	1971
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	China	1998
	Suzhou Branch Office/ Ningbo Branch Office		China	
	Chengdu Branch Office/ Chongqing Branch Office		China	
	Nanjing Branch		China	
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	1997
●	Nagase Wahlee Plastics Corp.	Sale of resins and related products	Taiwan	1990
	Taichung Office/Taipei Office		Taiwan	
	Gangshan Office		Taiwan	
●	NWP (B.V.I.) Corporation	Vehicle for investments into China from Taiwan	British Virgin Islands	2007
●	Guangzhou Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2002
	Wuhan Branch Office/ Chongqing Branch Office		China	
	Chengdu Branch Office/ Changsha Branch Office		China	
	Zhengzhou Branch Office		China	
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	Taiwan	1988
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2003
	Dalian Branch Office/ Qingdao Branch Office		China	
	Changchun Branch Office		China	
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	China	2004
	Dongguan Branch Office		China	
	Guangzhou Branch Office		China	
	Xiamen Branch Office		China	
●	Nagase Korea Corporation	General import/export trading, retailing/wholeselling, import/export trade agency	Korea	2001
●	Xiamen Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2011
	Nagase Marketing and Service (Shenzhen) Ltd.	Import/export, domestic sales, marketing	China	2006
	Guanlan Branch Co.		China	
	ON Colors & Chemicals (Shanghai) Co., Ltd.	Sales of textile-related products, dyeing processing agents, related equipment; export/import and technology consulting, technological development of dyeing processing	China	2002
	QINGDAO REPLUS CO., LTD.	Planning and development, manufacturing control, quality control and sales of food packaging	China	2015
<b>Asean and The Middle East</b>				
<b>Manufacturing and Processing</b>				
●	Pac Tech Asia Sdn. Bhd.	Manufacture and sale of semiconductor manufacturing equipment, semiconductor wafer bumping contract manufacturing	Malaysia	2006
○	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	Thailand	1994
	Bangkok Design Office		Thailand	
○	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	Thailand	2000
○	Nafuko Co., Ltd.	Manufacture, import/export and sale of packaging materials and related equipment	Thailand	1996
○	Dainichi Color Vietnam Co., Ltd.	Manufacture and sale of color masterbatch blend for plastic	Vietnam	2005
○	PT. Toyo Quality One Indonesia	Manufacture of flame lamination products	Indonesia	2008
○	Majend Makcs Co., Ltd.	Plastic film processing	Thailand	2002
○	PT. TUNE Manufacturing Indonesia	Painting of exterior auto parts/Manufacture of automobile components	Indonesia	2013

Category	Company name	Description of business	Location	Year of establishment
<b>Sales and Servicing</b>				
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	Thailand	1989
	Eastern Office		Thailand	
	Yangon Branch		Myanmar	
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales	Singapore	1975
	Australia Branch		Australia	
	Bangladesh Liaison Office		Bangladesh	
	Middle East Representative Office		United Arab Emirates	
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	Malaysia	1981
	Johor Bahru Office		Malaysia	
	Penang Office		Malaysia	
●	PT. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	Indonesia	1998
	Surabaya Branch		Indonesia	
●	Nagase Philippines Corporation	Import/export, domestic sales, marketing	Philippines	1997
●	Nagase Philippines International Services Corporation	Domestic sales, import/export	Philippines	2005
●	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	Vietnam	2008
	Ho Chi Minh City Branch		Vietnam	
●	Nagase India Private Ltd.	Import/export, domestic sales, marketing	India	2006
	North India Branch (Gurgaon)		India	
	South India Branch (Chennai)		India	
	PT. Indonesia Mold Technology	Design changes and maintenance for large-scale plastic automobile component molds	Indonesia	2015
	Nagase (Siam) Co., Ltd	Contract services for Group companies	Thailand	2000
	Landauer Australasia Pty Ltd	Radiation measuring services	Australia	2006
<b>Americas</b>				
<b>Manufacturing and Processing</b>				
●	Engineered Materials Systems Inc.	Research and development, manufacture, and sales of materials for commercial adhesives, conductive adhesives	America	1993
●	Pac Tech USA Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	America	2001
●	Sofix Corporation	Manufacture and sale of color formers	America	1990
○	KN Plotech America Corporation	Manufacture and sale of blow-formed plastic components and products	America	2010
○	TIMLE S.A. DE C.V.	Manufacture and sale of automotive laminated frames sale of automotive urethane foam	Mexico	2010
○	TQ-1 de MEXICO S.A. DE C.V.	Manufacture and sale of urethane for automotive seat pads	Mexico	2012
<b>Sales</b>				
●	Nagase America Corporation	Import/export, domestic sales, marketing	America	1971
	Michigan Branch		America	
	California Branch		America	
●	Nagase Enterprise Mexico S.A. de C.V.	Import/export sales, intermediate trade, market development, information collection	Mexico	2010
	Leon Branch Office		Mexico	
	Nagase do Brasil Comércio de Produtos Químicos Ltda.	Import/export sales, intermediate trade, market development, information collection	Brazil	2012
<b>Europe</b>				
<b>Manufacturing and Processing</b>				
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	Germany	1995
<b>Sales</b>				
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	Germany	1980
	Hungary Representative Office		Hungary	
	London Branch		England	

Overview

<b>Company Name</b>	NAGASE & CO., LTD.		
<b>Founded</b>	June 18, 1832		
<b>Establishment</b>	December 9, 1917		
<b>Capital</b>	¥9,699 million		
<b>Employees</b>	971 (Consolidated: 6,267)		
<b>Main Business</b>	Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods		
<b>Main Banks</b>	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited		
<b>Main Offices</b>	Osaka Head Office	1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668	Tel: (81) 6-6535-2114
	Tokyo Head Office	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355	Tel: (81) 3-3665-3021
	Nagoya Branch Office	3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560	Tel: (81) 52-963-5615
	Nagase R&D Center	Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241	Tel: (81) 78-992-3162
	Nagase Application Workshop	2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011	Tel: (81) 6-4961-6730

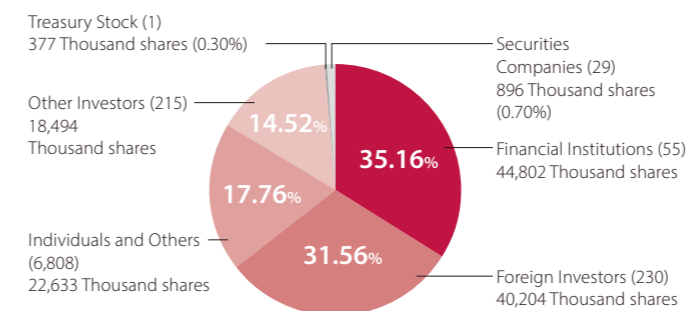
Stock Exchange.....Tokyo (First Section)

Code.....8012

Stock Status.....Authorized Number of Shares 346,980,000 shares  
Issued Number of Shares 127,408,285 shares

Number of Shareholders.....7,338

Composition of Shareholders

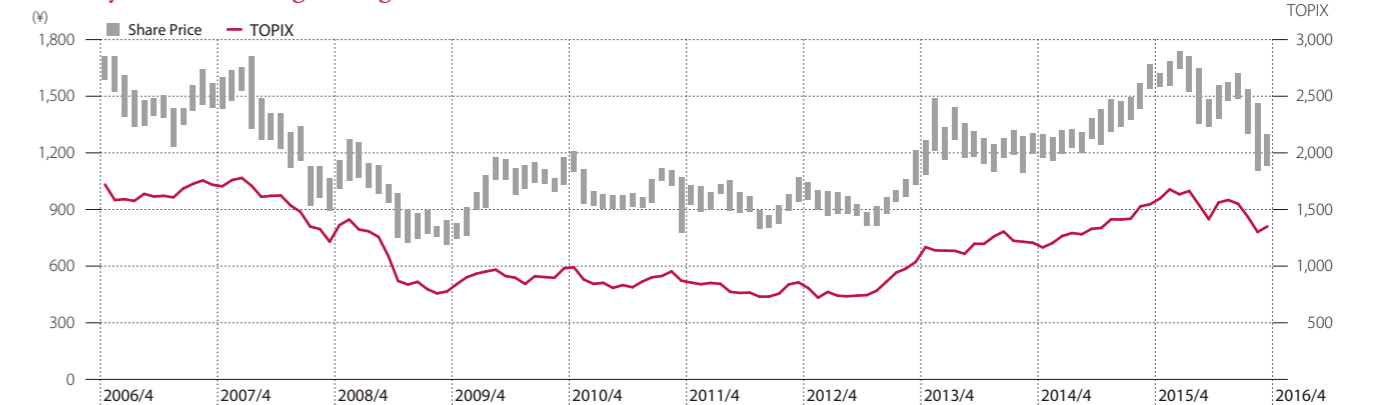


Principal Shareholders

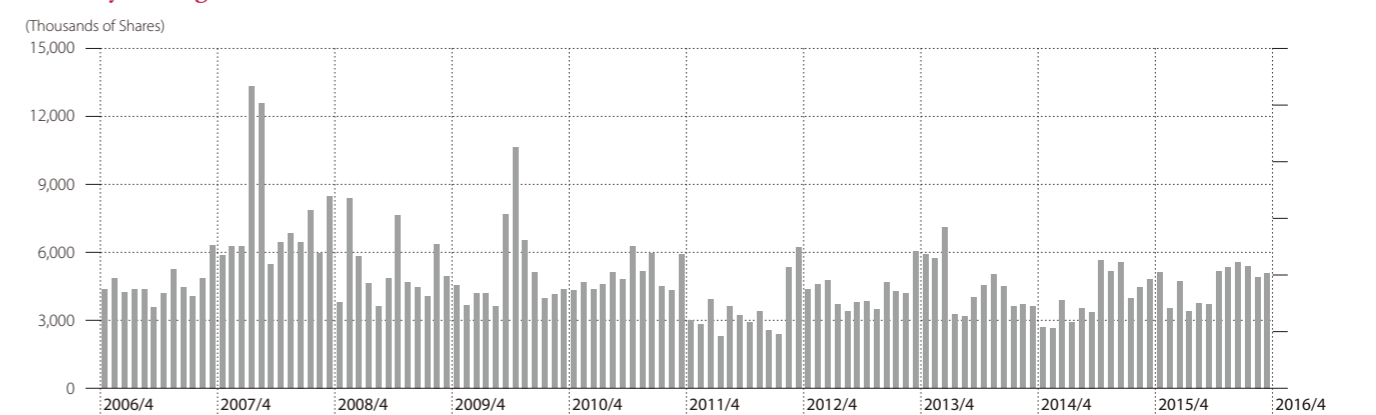
Name	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding (%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	6,780	5.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,208	4.87
Sumitomo Mitsui Trust Bank, Limited	5,776	4.53
Japan Trustee Services Bank, Ltd. (Trust Account)	4,941	3.88
Sumitomo Mitsui Banking Corporation	4,377	3.44
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,018	3.15
Nippon Life Insurance Company	3,589	2.82
Reiko Nagase	3,565	2.80
Mitsui Sumitomo Insurance Company, Limited	2,951	2.32
Hiroshi Nagase	2,946	2.31

\* Shares owned by Hiroshi Nagase include shares nominally owned by NAGASE & CO., LTD.

Monthly Share Price Range of Nagase



Monthly Trading Volume



Organization (as of April 1, 2016)

