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Securities identification code: 8012

June 7, 2016

To our shareholders:

Kenji Asakura  
Representative Director and President  
**NAGASE & CO., LTD.**  
1-1-17, Shinmachi, Nishi-ku,  
Osaka City, Osaka, Japan  
5-1, Nihonbashi-Kobunacho, Chuo-ku,  
Tokyo, Japan (Tokyo Head Office)

### **NOTICE OF THE 101ST ANNUAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 101st Annual Shareholders Meeting of NAGASE & CO., LTD. (the “Company”), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail or via the Internet. We request that you exercise your voting rights on or before 5:15 p.m. on Tuesday, June 28, 2016 after considering the following Reference Materials for the Annual Shareholders Meeting.

#### **Meeting Details**

- 1. Date and time:** Wednesday, June 29, 2016 at 10:00 a.m. (Reception begins at 9:00 a.m.)  
(Japan Standard Time)  
  
A large number of shareholders plan to attend, and priority has been placed on securing a venue with a large capacity. As a result, the meeting must be held on Wednesday, June 29, 2016.
- 2. Venue:** Nomura Conference Plaza Nihonbashi  
Large exhibition hall 6th floor, YUITO (Nihonbashi Muromachi Nomura Bldg.)  
2-4-3, Nihonbashi-muromachi, Chuo-ku, Tokyo
- 3. Purposes:**  
**Items to be reported:**
  1. Business Report and Consolidated Financial Statements for the 101st Term (from April 1, 2015 to March 31, 2016), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and Audit & Supervisory Board
  2. Non-Consolidated Financial Statements for the 101st Term (from April 1, 2015 to March 31, 2016)

**Items to be resolved:**

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Election of nine (9) Directors
- Proposal 3:** Election of two (2) Audit & Supervisory Board Members
- Proposal 4:** Election of one (1) substitute Audit & Supervisory Board Member
- Proposal 5:** Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)

**4. Other matters relating to this Notice**

Pursuant to laws and regulations and Article 14 of the Company's Articles of Incorporation, information concerning the following matters is contained on the Company's website (<http://www.nagase.co.jp/>) and consequently is not included in the provided documents.

- (1) Notes to Consolidated Financial Statements
- (2) Notes to Non-Consolidated Financial Statements

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members and the Accounting Auditor comprise Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements posted on the Company's website as well as each document attached to this Notice of the Shareholders Meeting.

**5. Instructions on exercising voting rights:**

Please refer to "Instructions on exercising voting rights." (Japanese only)

## Reference Documents for the Shareholders Meeting

### Proposal 1: Appropriation of surplus

The Company proposes the appropriation of surplus as follows:

Matters related to year-end dividends

The Company's fundamental policy is to improve earnings capacity, further enhance and strengthen its corporate character, and continuously pay stable dividends to shareholders based on consolidated financial results. The Company seeks to increase dividends per share, taking into consideration the consolidated payout ratio and the consolidated dividend on equity ratio. The Company also plans to effectively use internal reserves for future business activities and bolstering management foundations. The Company proposes the following year-end dividend for the fiscal year under review.

- (1) Type of dividend property  
Cash
- (2) Allocation of dividend property and total amount thereof  
16 yen per common share of the Company  
Total amount of dividends: 2,032,495,760 yen
- (3) Effective date of distribution of dividends of surplus  
June 30, 2016

**Proposal 2: Election of nine (9) Directors**

The terms of office of all 10 Directors, Hiroshi Nagase, Reiji Nagase, Kenji Asakura, Hiroshi Hanamoto, Osamu Morishita, Mitsuro Naba, Kohei Sato, Ichiro Wakabayashi, Yasuo Nishiguchi, and Hidenori Nishi, expire at the conclusion of this meeting. Of these 10, Hiroshi Hanamoto and Yasuo Nishiguchi will depart from the Company, and accordingly, the proposal is for the election of nine directors (including two outside directors), including the re-election of eight directors and new election of one director.

The candidates for Directors are as follows:

No.	Name (Date of birth)	Career summary, position and responsibilities (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	[Inside Director] [Reelection]  Hiroshi Nagase (July 18, 1949)  Attendance at 14 out of 14 Board of Directors meetings (100%)	April 1977    Joined the Company April 1988    General Manager of Plastics Dept. 2 June 1989    Director June 1995    Managing Director June 1997    Representative Director and Senior Managing Director June 1999    President June 2001    Representative Director, President and CEO April 2015    Representative Director and Chairman (present position)  [Significant concurrent positions outside the Company] None	2,946,308
	<p><b>Reasons for nomination as candidate</b>                      Hiroshi Nagase has exceptional knowledge and results in the plastics, electronics, and management (general) planning fields in which he has worked since joining the Company and has the character suitable as a manager of the Company. In light of his extensive experience in operations and management including serving as president from 1999 to 2015, Mr. Nagase is a candidate for reelection as a director.</p>		

No.	Name (Date of birth)	Career summary, position and responsibilities (Significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p>[Inside Director] [Reelection]</p> <p>Reiji Nagase (June 24, 1955)</p> <p>Attendance at 14 out of 14 Board of Directors meetings (100%)</p>	<p>April 1978      Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>June 1994      Retired</p> <p>July 1994      Joined the Company</p> <p>June 1995      Director, Head of Chemicals Management Office, Plastics and Industrial Materials Management Office, and Management Office and Equipment System Office</p> <p>June 1999      Managing Director</p> <p>June 2001      Managing Director and Executive Officer</p> <p>April 2003      Managing Director and Managing Executive Officer</p> <p>June 2003      Director and Managing Executive Officer</p> <p>April 2009      Director and Senior Managing Executive Officer</p> <p>June 2010      Representative Director and Senior Managing Executive Officer</p> <p>April 2015      Director and Vice Chairman (present position)</p> <p>[Significant concurrent positions outside the Company] Director, Nagase Science and Technology Foundation Representative Director, Hayashibara Museum of ART</p>	84,409
<p><b>Reasons for nomination as candidate</b></p> <p>Reiji Nagase has exceptional knowledge and results in the chemical product and plastics fields in which he has worked since joining the Company and has the character suitable as a manager of the Company. In light of his outstanding operational abilities and extensive experience in operations and management gained by serving as president of a number of major manufacturing subsidiary companies of the Group, Mr. Nagase is a candidate for reelection as a director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (Significant concurrent positions outside the Company)		Number of the Company's shares owned
3	[Inside Director] [Reelection]  Kenji Asakura (December 11, 1955)  Attendance at 14 out of 14 Board of Directors meetings (100%)	April 1978 October 2006 April 2009  June 2013 April 2015  [Significant concurrent positions outside the Company] None	Joined the Company General Manager of Automotive Solutions Dept. Executive Officer and General Manager of Automotive Solutions Dept. Director and Executive Officer Representative Director, President and CEO (present position)	8,052
	<p><b>Reasons for nomination as candidate</b></p> <p>Kenji Asakura has exceptional knowledge and results in the electronics, automotive materials, and management (general) planning fields in which he has worked since joining the Company and has the character suitable as a manager of the Company. In light of his outstanding operational abilities gained through experience as general manager of the Automotive Materials Division and in other positions, Mr. Asakura is a candidate for reelection as a director.</p>			
4	[Inside Director] [Reelection]  Mitsuro Naba (July 1, 1954)  Attendance at 14 out of 14 Board of Directors meetings (100%)	April 1978 April 2005 April 2009  June 2013 April 2015  April 2016  [Significant concurrent positions outside the Company] None	Joined the Company General Manager of Display Business Dept. Executive Officer and General Manager of Specialty Chemicals Dept. Director and Executive Officer Representative Director and Managing Executive Officer Representative Director and Managing Executive Officer in charge of Administration and Osaka Region (present position)	11,495
	<p><b>Reasons for nomination as candidate</b></p> <p>Mitsuro Naba has exceptional knowledge and results in the plastics, electronics, and management (general) planning fields in which he has worked since joining the Company and has the character suitable as a part of the Company's management team. In light of his outstanding operational abilities gained through experience as general manager of the Specialty Chemicals Division and in other positions, Mr. Naba is a candidate for reelection as a director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
5	[Inside Director] [Reelection]  Osamu Morishita (January 2, 1957)  Attendance at 14 out of 14 Board of Directors meetings (100%)	April 1979      Joined the Company April 2009      Executive Officer and COO of Shanghai Nagase Trading Co., Ltd. June 2012      Director and Executive Officer April 2015      Director and Managing Executive Officer April 2016      Director and Managing Executive Officer in charge of Hayashibara Co., Ltd., Nagase R&D Center and Manufacturing Industry (present position)  [Significant concurrent positions outside the Company] None	11,303
	<p><b>Reasons for nomination as candidate</b></p> <p>Osamu Morishita has exceptional knowledge and results in the chemical product and research and development fields in which he has worked since joining the Company and has the character suitable as a part of the Company's management team. In light of his outstanding operational abilities gained through experience as area manager of the Northeast Asia region and in other positions, Mr. Morishita is a candidate for reelection as a director.</p>		
6	[Inside Director] [Reelection]  Kohei Sato (March 25, 1959)  Attendance at 10 out of 10 Board of Directors meetings (100%)	April 1981      Joined the Company April 2008      General Manager of Information and Functional Materials Dept. April 2011      Executive Officer and General Manager of Performance Chemicals Dept. June 2015      Director and Executive Officer April 2016      Director and Executive Officer in charge of Overseas Business (present position)  [Significant concurrent positions outside the Company] None	8,372
	<p><b>Reasons for nomination as candidate</b></p> <p>Kohei Sato has exceptional knowledge and results in the chemical product, electronics, and management (general) planning fields in which he has worked since joining the Company and has the character suitable as a part of the Company's management team. In light of his outstanding operational abilities gained through experience as general manager of the Functional Materials Division and in other positions, Mr. Sato is a candidate for reelection as a director.</p>		

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	<p>[Inside Director] [Reelection]</p> <p>Ichiro Wakabayashi (October 25, 1957)</p> <p>Attendance at 10 out of 10 Board of Directors meetings (100%)</p>	<p>April 1981      Joined the Company</p> <p>April 2008      General Manager of Industrial Material Dept.</p> <p>April 2010      Executive Officer, General Manager of Industrial Material Dept.</p> <p>June 2015      Director and Executive Officer</p> <p>April 2016      Director and Executive Officer in charge of Sales, General Manager of Advanced Materials &amp; Processing Segment and Electronics Segment, and in charge of Nagase Application Workshop (present position)</p> <p>[Significant concurrent positions outside the Company] None</p>	8,072
	<p><b>Reasons for nomination as candidate</b></p> <p>Ichiro Wakabayashi has exceptional knowledge and results in the plastics fields in which he has worked since joining the Company and has the character suitable as a part of the Company's management team. In light of his outstanding operational abilities gained through experience as area manager of the Southeast Asia region and in other positions, Mr. Wakabayashi is a candidate for reelection as a director</p>		



No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
8	<p>[Outside Director] [Reelection] [Independent officer]</p> <p>Hidenori Nishi (January 6, 1951)</p> <p>Length of service: Two years (as of conclusion of this meeting)</p> <p>Attendance at 14 out of 14 Board of Directors meetings (100%)</p>	<p>April 1975      Joined KAGOME CO., LTD. June 2000      Director of KAGOME CO., LTD. June 2003      Director and Executive Officer of KAGOME CO., LTD. June 2005      Director and Managing Executive Officer of KAGOME CO., LTD. June 2008      Director and Senior Managing Executive Officer of KAGOME CO., LTD. April 2009      Representative Director and President of KAGOME CO., LTD. January 2014   Representative Director and Chairman of KAGOME CO., LTD. June 2014      Director of the Company (present position) March 2016      Director and Chairman of KAGOME CO., LTD. (present position)</p> <p>[Significant concurrent positions outside the Company] Director and Chairman of KAGOME CO., LTD. Outside Director of Dynapac Co., Ltd. Chairman of Japan Tomato Processors Association Chairman of Japan Canners Association</p>	549
<p><b>Reasons for nomination as candidate</b> Hidenori Nishi has been involved in 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. Accordingly, we request that Mr. Nishi be elected as an outside director.</p>			
<p><b>Special notes concerning candidates for outside director</b></p> <p>1. Other than ownership of the Company's shares, Mr. Nishi has no personal relationships, capital relationships, business relationships, or other special relationships with the Company. Mr. Nishi is chairman of KAGOME CO., LTD., an outside director of Dynapac Co., Ltd., chairman of the Japan Tomato Processors Association, and chairman of the Japan Canners Association, but the Company does not have any business relationships with these companies and organizations.</p> <p>2. Dynapac Co., Ltd., of which Mr. Nishi is an outside director, was subject to on-site inspections by the Fair Trade Commission in June and September of 2012 on the grounds of suspicion of violations of the Anti-monopoly Act in relation to cardboard box and cardboard sheet transactions, and the Fair Trade Commission made a finding of violation of Article 3 of the Anti-monopoly Act (prohibition of unreasonable restraint of trade) in June 2014. The Commission issued a cease-and-desist order and imposed fines on Dynapac. In response to this incident, Mr. Nishi has been fulfilling his responsibilities including conducting a thorough investigation to identify the causes and reinforcing the compliance system to ensure that there is no recurrence.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
	[Outside Director] [New election] [Independent officer]  Nobumasa Kemori (April 12, 1951)	September 1980 Joined Sumitomo Metal Mining Co., Ltd. June 2006 Director and Managing Executive Officer of Sumitomo Metal Mining Co., Ltd. June 2007 Representative Director and President of Sumitomo Metal Mining Co., Ltd. June 2013 Representative Director and Chairman of Sumitomo Metal Mining Co., Ltd. (present position)  [Significant concurrent positions outside the Company] Chairman & Representative Director of Sumitomo Metal Mining Co., Ltd. Chairman of Japan Mining Engineering & Trading Center	0
9	<p><b>Reasons for nomination as candidate</b> Nobumasa Kemori has been involved in 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. Accordingly, we request that Mr. Kemori be elected as an outside director.</p> <p><b>Special notes concerning candidates for outside director</b> Mr. Kemori does not have any personal relationships, capital relationships, transactional relationships, or other interests with the Company. Mr. Kemori is Chairman of Sumitomo Metal Mining Co., Ltd., and there are sales transactions between the Company and Sumitomo Metal Mining Co., Ltd., but the amount of those transactions in the fiscal year ended March 2016 was net sales of 2 million yen, which in light of the scale of the Company's net sales, is not significant to give rise to a special relationship. Mr. Kemori is Chairman of the Japan Mining Engineering &amp; Training Center, but the Company does not engage in any transactions with the Center, and Mr. Kemori believes that there is no likelihood of a conflict of interests with general shareholders arising from his status as an outside director.</p>		

Notes:

1. Hidenori Nishi is a candidate for outside director and is an independent officer pursuant to the regulations of financial instruments exchanges.
2. Nobumasa Kemori is a candidate for outside director, and if he is elected, the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
3. Nobumasa Kemori is Representative Director and Chairman of Sumitomo Metal Mining Co., Ltd. and will be appointed to be Director and Chairman of Sumitomo Metal Mining Co., Ltd. on June 27, 2016.
4. Special interests with the Company
  - (1) Candidate Reiji Nagase also serves as Director of the Nagase Science and Technology Foundation, to which the Company makes contributions.
  - (2) Candidate Reiji Nagase also serves as representative director of the Hayashibara Museum of Art. Hayashibara Co., Ltd., a wholly owned subsidiary of the Company, makes contributions to the museum.
  - (3) There are no special interests between the other candidates and the Company.
5. Agreement limiting liability of outside directors  
Pursuant to the Articles of Incorporation, the Company has entered into an agreement with outside director Hidenori Nishi limiting liability to the Company for damages to a certain degree. If this resolution is approved, the Company plans to renew that agreement with Mr. Nishi under the same terms. In addition, if Nobumasa Kemori, a candidate for outside director, is elected, the Company plans to enter into a similar agreement. A summary of the agreements is as follows:  
If the Company incurs damage as a result of the failure of the outside director to perform his duties, as long as the outside director performed his duties in good faith and without gross negligence, the liability for damage that the outside director shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, Paragraph 1 of the Companies Act.

6. The number of Board of Directors meetings does not include resolutions approved in writing. The number of Board of Directors meetings indicated with regard to attendance at meetings by Kohei Sato and Ichiro Wakabayashi is the number of meetings since they were elected as Directors.
7. The number of shares of the Company owned by each candidate includes shares owned in the name of the Nagase Officer Shareholding Association.

**Proposal 3: Election of two (2) Audit & Supervisory Board Members**

The term of office of Hideo Yamashita and Toshio Takano, the Audit & Supervisory Board Members, will expire at the conclusion of this meeting. Of these two, Hideo Yamashita will depart from the Company, and accordingly, the proposal is for the election of two Audit & Supervisory Board Members including the re-election of one Audit & Supervisory Board Member and new election of one Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

No.	Name (Date of birth)	Career summary and position (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	<p>[External Audit &amp; Supervisory Board Member] [Reelection] [Independent officer]</p> <p>Toshio Takano (April 18, 1943)</p> <p>Length of service: Eight years (as of conclusion of this meeting)</p> <p>Attendance at 13 out of 14 Board of Directors meetings (93%)</p> <p>Attendance at 14 out of 14 Audit &amp; Supervisory board meetings (100%)</p>	<p>April 1968 Public Prosecutor of the Sapporo District Public Prosecutors Office</p> <p>March 1987 Deputy General Manager of the Special Investigation Department of the Tokyo District Public Prosecutors Office</p> <p>July 1995 Chief Public Prosecutor of the Kofu District Public Prosecutors Office</p> <p>November 2000 Chief Public Prosecutor of the Tokyo District Public Prosecutors Office</p> <p>November 2001 Superintendent Public Prosecutor of the Sendai High Public Prosecutors Office</p> <p>January 2004 Superintendent Public Prosecutor of the Nagoya High Public Prosecutors Office</p> <p>April 2005 President of Japan International Training Cooperation Organization Incorporated Foundation (currently Public Interest Incorporated Foundation)</p> <p>February 2006 Lawyer of Blakemore &amp; Mitsuki Takano Law Firm (present position)</p> <p>June 2008 Audit &amp; Supervisory Board Member of the Company (present position)</p> <p>[Significant concurrent positions outside the Company] External Audit &amp; Supervisory Board Member of GLOBERIDE, Inc. Outside Corporate Auditor of Kakaku.com, Inc. External Corporate Auditor of Daicel Corporation External Audit &amp; Supervisory Board Member of FANCL CORPORATION</p>	3,757
<p><b>Reasons for nomination as candidate</b></p> <p>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. He has fully performed his duties as an Audit &amp; Supervisory Board Member of the Company for the past eight years, and consequently, we determined that he will properly perform his duties as External Audit &amp; Supervisory Board Member, and we request his election.</p>			

**Special notes concerning candidates for External Audit & Supervisory Board Member**

Other than ownership of Nagase shares, Mr. Takano has no personal relationships, capital relationships, business relationships, or other special relationships with the Company. Mr. Takano is an External Corporate Auditor of Daicel Corporation. The Company owns 0.45% of Daicel's issued and outstanding shares, and Daicel owns 0.94% of the Company's issued and outstanding shares. In addition, the Company and Daicel conduct business with one another, but in the fiscal year ended March 2016, sales from those transactions were 151 million yen and purchases were 6,453 million yen, and in light of the Company's total sales and purchases, these transactions are not significant enough to give rise to a special relationship. Furthermore, Mr. Takano is an external Audit & Supervisory Board member of GLOBERIDE, Inc., and the Company and GLOBERIDE conduct business with one another. In the fiscal year ended March 2016, sales from those transactions were 2 million yen, and in light of the Company's total sales, these transactions are not significant enough to give rise to a special relationship. Mr. Takano is an outside director of Mori Building Investment Management Co., Ltd. and an Audit & Supervisory Board Member of Kakaku.com, Inc., FANCL CORPORATION, and Revamp Corporation, but the Company does not have any business relationships with these companies, and we are aware of no likelihood of a conflict of interest with general shareholders arising with Mr. Takano as an external Audit & Supervisory Board Member.

No.	Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)	Number of the Company's shares owned
	[External Audit & Supervisory Board Member] [New election] [Independent officer]  Nobuyuki Shirafuji (April 3, 1961)	April 1984      Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) March 2003      General Manager of the London Group of Global Corporate Investment Dept. of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Ltd. April 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. May 2013      General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation April 2016      Retired  [Significant concurrent positions outside the Company] None	0
2	<p><b>Reasons for nomination as candidate</b> 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 &amp; Supervisory Board Member and we request his election.</p> <p><b>Special notes concerning candidates for Audit &amp; Supervisory Board Member</b> With the exception of an advisory agreement entered into with the Company, Mr. Nobuyuki Shirafuji does not have any personal relationships, capital relationships, transactional relationships, or other interests with the Company. Mr. Shirafuji has entered into an advisory agreement with the Company as indicated above, but the amount is 3 million yen and therefore is de minimis. Mr. Shirafuji worked for Sumitomo Mitsui Banking Corporation, one of the Company's banks, but no longer works for the bank. As of the end of March 2016, the Company had an outstanding loan from the bank for 15,148 million yen, but the Company's capital adequacy ratio is high, its finances are sound, and its degree of dependence on loans from financial institutions is low, and accordingly, a determination was made that the loan is not significant enough to give rise to a special relationship. We are aware of no likelihood of a conflict of interest with general shareholders arising with Mr. Shirafuji as an External Audit &amp; Supervisory Board Member.</p>		

Notes:

1. Toshio Takano is a candidate for External Audit & Supervisory Board Member and is an independent officer pursuant to the regulations of financial instruments exchanges.
2. Nobuyuki Shirafuji is a candidate for External Audit & Supervisory Board Member, and if he is elected, the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
3. Agreement limiting liability of External Audit & Supervisory Board Members  
Pursuant to the Articles of Incorporation, the Company has entered into an agreement with External Audit & Supervisory Board Member Toshio Takano limiting liability to the Company for damages to a certain degree. If this resolution is approved, the Company plans to renew that agreement with Mr. Takano under the same terms. In addition, if Nobuyuki Shirafuji, a candidate for External Audit & Supervisory Board Member, is elected, the Company plans to enter into a similar agreement. A summary of the agreements is as follows:  
If the Company incurs damage as a result of the failure of the External Audit & Supervisory Board Member to perform his duties, as long as the External Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the External Audit & Supervisory Board Member shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, Paragraph 1 of the Companies Act.

4. The number of shares of the Company owned by Mr.Takano includes shares owned in the name of the Nagase Officer Shareholding Association.

**Proposal 4: Election of one (1) substitute Audit & Supervisory Board Member**

The Company proposes to elect one (1) substitute Audit & Supervisory Board Member to prepare for a contingency in which the Company does not have the number of Audit & Supervisory Board Members required by laws and regulations.

The Audit & Supervisory Board has given its consent to this proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows:

No.	Name (Date of birth)	Career summary and position (Significant concurrent positions outside the Company)	Number of the Company's shares owned
1	[External Audit & Supervisory Board Member] [Reelection] [Independent officer]  Hidekado Miyaji (February 11, 1952)	April 1975 Administrative Official at Income Tax Division of National Tax Agency July 1982 Superintendent of Mikuni Tax Office, Kanazawa Regional Taxation Bureau July 1987 Director of Administrative Services Bureau, Iwate Prefectural Police Department July 1991 Consul of the Consulate General of Japan in New York July 1996 Director, National Tax Agency July 1999 General Manager of Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau July 2002 Director, Research Department, National Tax College August 2003 Professor, Department of Social-Human Environmentology, Daito Bunka University (present position)  [Significant concurrent positions outside the Company] None	0
<b>Reasons for nomination as candidate</b> Hidekado Miyaji does not have direct managerial experience, but he has held a number of important posts in public service. Based on his high degree of specialization relating to taxes and corporate accounting and experience in perspective as a university professor, we determined that he will properly perform his duties as External Audit & Supervisory Board member, and we request his election.			
<b>Special notes concerning candidates for External Audit &amp; Supervisory Board Member</b> There is no special interest between the candidate and the Company.			

Notes:

- Hidekado Miyaji is a candidate for substitute External Audit & Supervisory Board Member, and if he is elected, the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
- Agreement limiting liability of substitute External Audit & Supervisory Board Members  
Agreements limiting the liability of candidate substitute External Audit & Supervisory Board Members.  
If Hidekado Miyaji, a candidate for External Audit & Supervisory Board Member, is elected, the Company plans to enter into an agreement with Mr. Miyaji pursuant to the Articles of Incorporation limiting liability to the Company for damages to a certain degree. A summary of the agreements is as follows:  
If the Company incurs damage as a result of the failure of the External Audit & Supervisory Board Member to perform his duties, as long as the External Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the External Audit & Supervisory Board Member shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, Paragraph 1 of the Companies Act.



## **Proposal 5: Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)**

At the meeting of the Company's board of directors held on May 28, 2007, the Company adopted a resolution regarding the basic policy related to the way a person is to control the decisions on the Company's financial and business policies (meaning the basic policy as defined in Article 118, item (iii) of the Ordinance for Enforcement of the Companies Act; the "Basic Policy"), and with the shareholders' approval obtained at the 92nd Annual Shareholders Meeting of the Company held on June 27, 2007, the Company introduced the policy for responding to large-scale purchases of the Company shares (anti-takeover measures). Thereafter, following the revision in 2010, the policy was revised at the meeting of the Company's board of directors held on May 20, 2013, pursuant to the unanimous approval of the Company's directors, including outside directors, as announced in the press release titled "Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)" dated May 20, 2013. The revised policy (the "2013 Plan") was approved by the shareholders at the 98th Annual Shareholders Meeting of the Company held on June 26, 2013, and came into force.

The effective period of the 2013 Plan was specified to end at the close of the annual shareholders meeting of the Company to be held in 2016, and will therefore expire at the close of the 101st Annual Shareholders Meeting of the Company to be held on June 29, 2016 (the "Annual Shareholders Meeting").

Before the expiry of the effective period of the 2013 Plan, at the meeting of the Company's board of directors held on May 23, 2016, pursuant to the unanimous approval of the Company's directors, including outside directors, subject to the shareholders' approval at the Annual Shareholders Meeting, the Company has adopted a resolution to partially revise the 2013 Plan and to renew the policy for responding to Large-Scale Purchases (as defined in II.3. below; a person who conducts a Large-Scale Purchase shall be hereinafter referred to as a "Large-Scale Purchaser") of the Company shares (anti-takeover measures), as measures to prevent decisions on the Company's financial and business policies from being controlled by an inappropriate person in light of the Basic Policy (Article 118, item (iii)(b)(2) of the Ordinance for Enforcement of the Companies Act), for the purposes of protecting and enhancing the Company's corporate value and the common interests of its shareholders (the policy after such renewal shall be hereinafter referred to as the "Plan"). Accordingly, the Company requests approval of the Plan.

The main changes from the 2013 Plan are as follows:

- The upper limit of the Necessary Information Provision Period (as defined in II.4. below) has been set at 60 days, as a general rule.
- Other necessary changes have been made.

The replacement with the Plan has also been supported by all of the Company's four auditors, including two outside auditors, subject to the proper management of the Plan in practice.

If any revision is made to the Companies Act, the Financial Instruments and Exchange Act, or the relevant rules, cabinet orders, cabinet office ordinances, or ministerial ordinances, etc. (collectively, the "Laws and Regulations") (including a change to a name of a law or regulation, or establishment of new Laws and Regulations taking the place of the former Laws and Regulations), and such revision comes into force, then each provision of the Laws and Regulations cited in the Plan shall be read as the corresponding provision of the Laws and Regulations after such revision effectively taking the place of the provision of the former Laws and Regulations, unless otherwise specified by the Company's board of directors.

### **1. Reason for the Proposal**

Since its foundation as a dyestuff wholesale merchant in Kyoto in 1832, the Company has contributed to the development of industries in Japan, particularly, the chemical industry, and has achieved growth, by introducing

foreign advanced chemical technologies, information, and products to Japan, and the Company has established itself as a trading company in technologies and information.

Today, the Company has more than 100 group companies and bases in Japan and overseas in a wide range of business areas, such as functional materials, process materials, electronics, automobiles and energy, and daily living-related products, based on chemistry. The Company has encouraged global business expansion, not limited within Japan.

In addition, the Company is making efforts to build new business models by organically combining a wide variety of businesses as a trading company with its research and development functions, and its manufacturing and processing functions fostered over a long period, and to be a unique company not only having the functions of both a trading company and a manufacturer, but also using the synergy to the maximum extent, and to respond to customers' needs at a high level.

Thus, the Company considers it the source of the Company's corporate value to have new "functions" based on chemistry, to provide "services" derived from these "functions" around the world, and to continue creating high value-added businesses to solve customers' issues.

## 2. Basic Policy

The Company, as a listed company, believes that its shareholders are determined through the free trading of shares, as a general rule, and that whether to accept a proposal for a Large-Scale Purchase involving a change to its corporate control as a stock company is also a matter to be ultimately determined based on individual shareholders' intentions. From such perspective, the Company considers itself bound to its duty to strive for the improvement of its corporate value, and the Company does not believe that it itself should select who will control the decisions on the Company's financial and business policies at its own discretion.

However, it is also considered that in markets, the value of the Company, which makes faithful efforts to improve its corporate value, may not be fairly evaluated in some cases. Large-Scale Purchases of shares may include those that use the opportunity to seek only short-term profits given the purposes, etc., and cause damage to the Company's corporate value and the common interests of its shareholders.

The Company considers that a person who conducts such a Large-Scale Purchase as may cause damage to the Company's corporate value and the common interests of its shareholders is not appropriate as a person who controls the decisions of the Company's financial and business policies.

## 3. Measures that Contribute to Carrying out the Basic Policy

In order to carry out the Basic Policy discussed above, the Company has adopted a Long-Term Management Policy looking ahead to 2032, when the Company will commemorate 200 years since its foundation, and the **ACE-2020** Mid-Term Management Plan covering five years starting in April 2016, while working to increase our corporate value. The essentials of the Long-Term Management Policy involve challenges for growth and reinforce the management platform for growth. By investing management resources in priority fields and shifting away from business that is reliant on Japan, the Company will take on the challenge to grow with the aim of achieving dramatic growth that cannot be achieved only by extending its existing business, and will reinforce the management foundations that support growth with the aim of building foundations that can contribute to the expansion and globalization of business for the purpose of leading the challenge to grow to a successful conclusion. In order to achieve the objectives of the Long-Term Management Policy, the Company has divided the 17-year period from the 2016 fiscal year into three stages, with the five years from fiscal 2016 to 2020 as Stage 1, positioned as a period of reform, and launched the **ACE-2020** Mid-Term Management Plan ("**ACE**" stands for Accountability, Commitment, and Efficiency). Under the **ACE-2020** Mid-Term Management Plan, we will shift from trading-company oriented thinking to viewing a trading-company as one group function; make maximum use of manufacturing, research, overseas networks, logistics, and investment; and strive to work

together as a unified group to create and provide new value to the world. The essentials of the **ACE-2020** Mid-Term Management Plan are two reforms comprised of reform of the profit structure and reform of the corporate culture. The prioritized measures for reforming the profit structure will be to optimize the portfolio and expand and strengthen revenue base. The prioritized measures for reforming the corporate culture will be to comprehensively develop mindsets and strengthen management platform. Growth investment as a means of increasing earnings will be set at 100 billion yen, and funds exceeding cash flows from business activities will be procured primarily through interest-bearing bonds, while increased efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

As discussed above, we will elevate management efficiency and transparency while building harmonious relationships with shareholders, customers, trading partners, employees, regional communities, and other stakeholders in order to move toward an improvement of our corporate value.

#### 4. Purpose of Replacement with the Plan

The Company, as a listed company, believes that the Company shares should be allowed to be freely traded, as a general rule, and the Company will not completely rule out even a Large-Scale Purchase made without approval of the Company's board of directors (a so-called "hostile takeover"). In addition, the Company understands that whether to accept a purchase of the Company shares involving a change to its corporate control is also a matter to be determined by individual shareholders, and the Company does not believe that it itself should select a party who will control the Company's decisions on its financial and business policies.

However, there are no small number of Large-Scale Purchases of shares that do not serve the Company's corporate value and the common interests of its shareholders; for example, there are those in which the conditions offered by the relevant Large-Scale Purchaser do not fairly reflect the Company's intrinsic value and those that may impede the Company's efforts to ensure smooth relationships with its shareholders, customers, business partners, employees, local communities, and other stakeholders on a mid-to-long-term basis; in addition, there are even those that, given their purposes, etc., would cause obvious damage to the Company's corporate value and the common interests of its shareholders, those that may virtually force the Company's shareholders to sell its shares, and those that do not provide sufficient time or information for the Company's board of directors and shareholders to consider the details of the relevant Large-Scale Purchase or for the Company's board of directors to propose a substitute plan.

Under such circumstances, when the Company receives an offer for a Large-Scale Purchase from an outside purchaser, the Company needs to evaluate the impact of the Large-Scale Purchase on the Company group's corporate value and the common interests of its shareholders by appropriately understanding various elements, such as the Company group's tangible and intangible management resources, the potential effects of long-term measures, and other elements constituting the Company group's corporate value, in addition to the matters mentioned above.

In the context of the above, the Company's board of directors has determined that it is essential to build a framework to control Large-Scale Purchases so that, when a person who attempts to make a Large-Scale Purchase appears, the Company is capable of securing information and time for individual shareholders to make a decision on whether to accept the Large-Scale Purchase and for the Company's board of directors to present a substitute plan to the shareholders, and eliminating Large-Scale Purchases not serving the Company group's corporate value or the common interests of its shareholders by being allowed to negotiate on behalf of the shareholders. Accordingly, the Company's board of directors has determined to replace the 2013 Plan with the Plan as an approach to prevent inappropriate parties, in light of the Basic Policy mentioned above, from controlling the Company's decisions on its financial and business policies.

At present, however, the Company has not received any notice or offer for Large-Scale Purchase from any particular third party.

## II. Details of the Proposal

Information concerning the Plan (Measures to Prevent Control of the Company's Financial and Business Policies by a Person who is Inappropriate in Light of the Basic Policy)

### 1. Outline of the Plan

For the purpose of protecting and enhancing the Company's corporate value and the common interests of its shareholders, the Plan provides for the procedures for the Company, when a Large-Scale Purchase is made, to request that the Large-Scale Purchaser provide information regarding the Large-Scale Purchase in advance and to set a period for collecting and reviewing information regarding the purchase, and thereafter to present its management's plan or a substitute plan to its shareholders and to negotiate with the Large-Scale Purchaser.

Where the procedures are not complied with, the Company may take the countermeasure set forth in "Specific Details of the Countermeasure" in II.9. below (allotment of share options without contribution). Implementing the countermeasure may eventually create some detriments, including economic loss, to any Large-Scale Purchaser who has failed to comply with the procedures. On the other hand, where the procedures are complied with, the Company will not take the countermeasure, as a general rule; however, as mentioned in "Handling Where Large-Scale Purchase Is Deemed to Be Contrary to Protection and Enhancement of the Company's Corporate Value and the Common Interests of Shareholders" in II.8.(2)B. below, if a Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders, the Company may take the countermeasure set forth in "Specific Details of the Countermeasure" in II.9. below (allotment of share options without contribution).

The specific details of the Plan are as set forth in and after 2.

### 2. Definition of Large-Scale Purchase Triggering the Countermeasure

The countermeasure under the Plan may be implemented if an action that falls, or could fall, under either of the following (i) or (ii) (excluding actions approved in advance by the Company's board of directors) (collectively, "Large-Scale Purchases") occurs or is likely to occur:

- (i) purchase or other acquisition of share certificates, etc. (Note 1) issued by the Company which results in the relevant Large-Scale Purchaser's ownership ratio of share certificates, etc. (Note 2) being 20% or more;
- (ii) purchase or other acquisition of share certificates, etc. (Note 3) issued by the Company which results in the sum of the relevant Large-Scale Purchaser's ownership ratio of share certificates, etc. (Note 4) and its specially-related party's (Note 5) ownership ratio of share certificates, etc. being 20% or more.

(Note 1) This refers to "share certificates, etc." as defined in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act. The same shall apply hereinafter unless otherwise specified.

(Note 2) This refers to "ownership ratio of share certificates, etc." as defined in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act. The same shall apply hereinafter. For the purpose of calculating such ownership ratio of share certificates, etc., (i) a specially-related party as defined in Article 27-2, paragraph (7) of said Act shall be deemed to be a joint holder (meaning a joint holder as defined in Article 27-23, paragraph (5) of the Financial Instruments and Exchange Act and including a person who is deemed to be a joint holder based on paragraph (6) of said Article; hereinafter the same shall apply) of the Large-Scale Purchaser. Additionally, for the purpose of calculating such ownership ratio of share certificates, etc., the most recent information publicly announced by the Company may be used in respect of the total number of the Company's issued shares.

(Note 3) This refers to “share certificates, etc.” as defined in Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act. The same shall apply in this item (ii).

(Note 4) This refers to “ownership ratio of share certificates, etc.” as defined in Article 27-2, paragraph (8) of the Financial Instruments and Exchange Act. The same shall apply hereinafter. For the purpose of the calculating such ownership ratio of share certificates, etc., the most recent information publicly announced by the Company may be used in respect of the total number of the Company’s voting rights.

(Note 5) This refers to a “specially-related party” as defined in Article 27-2, paragraph (7) of the Financial Instruments and Exchange Act; however, regarding the person set forth in item (i) of said paragraph, the person set forth in Article 3, paragraph (2) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Shares Certificates, etc. by Person Other than Issuer shall be excluded. A joint holder of a Large-Scale Purchaser shall be deemed to be a specially-related party of the Large-Scale Purchaser. The same shall apply hereinafter unless otherwise specified.

### 3. Submission of Letter of Intention

If a Large-Scale Purchaser intends to make a Large-Scale Purchase, the Large-Scale Purchaser is required to first submit to the Company’s representative director and president a document evidencing its undertaking that the Large-Scale Purchaser will comply with the procedures set forth in the Plan (the “Large-Scale Purchase Rules”) (this document shall be hereinafter referred to as a “Letter of Intention”). The Letter of Intention is required to clearly contain the Large-Scale Purchaser’s name, address, the governing law of its incorporation, its representative’s name, its contact information in Japan, the number of the Company’s share certificates, etc. currently held by the Large-Scale Purchaser, the status of transactions for the Company shares by the Large-Scale Purchaser for a 60-day period before the submission of the Letter of Intention, and an outline of the offered Large-Scale Purchase. Only Japanese shall be used in the Letter of Intention.

When a Letter of Intention is submitted by a Large-Scale Purchaser, the Company will, in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges, disclose such matters as the board of directors or the independent committee finds appropriate.

### 4. Request for Information from Large-Scale Purchasers

Within five business days (the first day of the period shall not be included for the purposes of the calculation) from the Company’s receipt of the Letter of Intention mentioned in 3. above, the board of directors shall deliver to the Large-Scale Purchaser a list of information to be provided to the Company’s representative director and president (“Large-Scale Purchase Information”) in order for the shareholders to make a decision and for the board of directors to form an opinion, and the Large-Scale Purchaser shall promptly provide the information specified in the list.

If the board of directors deems that the information initially provided is insufficient as Large-Scale Purchase Information, it may request at any time that the Large-Scale Purchaser provide sufficient Large-Scale Purchase Information, after setting a reasonable period for submission (up to 60 days (the first day of the period shall not be included for the purposes of the calculation) from the day on which the Company requests that the Large-Scale Purchaser provide additional information; the “Necessary Information Provision Period”). However, the specific details of Large-Scale Purchase Information may vary depending on the details and scale of the relevant Large-Scale Purchase; therefore, if the Company’s board of directors deems that the information provided by the expiry of the Necessary Information Provision Period is insufficient in view of the details and scale of the relevant Large-Scale Purchase as well as the specific status of provision of Large-Scale Purchase Information, then it may extend the Necessary Information Provision Period by up to 30 days based on a recommendation of the independent

committee. In such cases, the Company's board of directors shall respect the independent committee's opinions to the highest degree.

On the other hand, when the Company's board of directors deems that sufficient Large-Scale Purchase Information has been provided, even before the expiry of the Necessary Information Provision Period, it shall immediately end the Necessary Information Provision Period and commence the Board of Directors Evaluation Period.

When the board of directors deems that the provision of Large-Scale Purchase Information has been completed, the Company will make timely and appropriate disclosure to that effect in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

The items constituting Large-Scale Purchase Information are as follows. Large-Scale Purchase Information shall be provided only in Japanese.

- A) An outline of the Large-Scale Purchaser and its group companies (including the Large-Scale Purchaser's major shareholders or investors and important subsidiaries and affiliates; hereinafter the same shall apply) (such outline shall include the Large-Scale Purchaser's and its group companies' specific names, business details, capital structures, financial details, information regarding experience in business similar to that of the Company and the Company group, records of violations of law in the past 10 years, and their officers' names, career summaries, and records of previous violations of law);
- B) The purpose, method, and details of the Large-Scale Purchase (including the number of shares to be purchased, the type and amount of the consideration for the Large-Scale Purchase, the timing of the Large-Scale Purchase, the structure of the transactions related to the Large-Scale Purchase (including existence of a plan to squeeze out minority shareholders and the specific method thereof), views regarding the feasibility (if the Large-Scale Purchase is subject to certain conditions, the details of such conditions) and legality of the Large-Scale Purchase and the related transactions, a statement of the likelihood (if any) of, and the reasons for, the delisting of the Company's shares after the Large-Scale Purchase);
- C) Whether there were communications of intention (including communications of intention regarding making any material proposal as defined in Article 27-26, paragraph (1) of the Financial Instruments and Exchange Act ("Material Proposal") to the Company) with a third party in connection with the Large-Scale Purchase and, if such communications of intention were made, the details thereof;
- D) Information regarding the entity calculating the consideration for the purchase, the basis of the calculation (including the amount of synergy and negative synergy expected to arise as a result of a series of transactions related to the Large-Scale Purchase and the calculation basis thereof), and financial support for the purchase (including the specific names of the relevant financing providers (including substantial providers), financing methods, the existence and details of conditions of financing, existence and details of collateral or covenants after financing, and details of the related transactions);
- E) Expected management policy, business plan, dividend policy, financial policy, capital policy, asset utilization, etc. of the Company and the Company group after the completion of the Large-Scale Purchase (if there is any plan to make a Material Proposal to the Company, including the specific details thereof);
- F) Policies for how the employees, business partners, customers, and other interested parties will be situated and treated after the purchase;
- G) Measures for avoiding conflicts of interest with minority shareholders after the purchase;
- H) Whether there is any association with any antisocial forces or terrorist organizations (whether directly or indirectly) (and if there is any association, the details of the association); and

- D) Other such information as the board of directors, the independent committee, etc. reasonably finds necessary.

If the board of directors finds it necessary for the shareholders to make a decision, it shall disclose, in whole or in part, the fact that a Large-Scale Purchase has been offered and the Large-Scale Purchase Information provided to the directors at such time as the board of directors finds appropriate.

In addition, the independent committee may, as necessary, request that the board of directors provide the information provided by the Large-Scale Purchaser, and the board of directors shall provide the information provided by the Large-Scale Purchaser to the independent committee in response thereto.

If the board of directors deems that a material change has been made to the Large-Scale Purchase Information by the Large-Scale Purchaser after the Company discloses its determination that the provision of the Large-Scale Purchase Information has been completed, the procedures based on the Plan that have been carried out in respect of the Large-Scale Purchase based on the previous Large-Scale Purchase Information (the “Pre-Change Large-Scale Purchase”) shall be cancelled, the Large-Scale Purchase based on Large-Scale Purchase Information after such change shall be treated as a different Large-Scale Purchase from the Pre-Change Large-Scale Purchase, and the procedures based on the Plan shall be applied again, by making timely and appropriate disclosure of the fact of the change, the reason, and other information found to be appropriate in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

#### 5. Setting of the Board of Directors Evaluation Period

The board of directors believes that it should be given a 60-day period (in the case of purchasing all shares through a tender offer in which the consideration is only cash in yen; the first day of the period shall not be included for the purposes of the calculation) or a 90-day period (in the case of a Large-Scale Purchase other than those mentioned above; the first day of the period shall not be included for the purposes of the calculation) to evaluate, consider, negotiate, form an opinion, and develop a substitute plan (the “Board of Directors Evaluation Period”), after the provision of Large-Scale Purchase Information is completed, depending on the degree of difficulty of evaluation of the relevant Large-Scale Purchase. During the Board of Directors Evaluation Period, the board of directors will fully evaluate and review the provided Large-Scale Purchase Information with the advice of outside auditors and outside experts, will advisedly form an opinion as the board of directors, and will publicly announce such opinion. If the board of directors finds it necessary, it may negotiate with the relevant Large-Scale Purchaser to improve the conditions for the relevant Large-Scale Purchase, and may present a substitute plan to the shareholders as the board of directors. Any Large-Scale Purchase shall be implemented only after such Board of Directors Evaluation Period has elapsed.

If there is any unavoidable reason for the board of directors’ failure to pass a resolution to implement or not to implement the countermeasure during the Board of Directors Evaluation Period; for example, where the independent committee fails to make any recommendation as mentioned in 6. below during the Board of Directors Evaluation Period, the board of directors may extend the Board of Directors Evaluation Period by up to 30 days (the first day of the period shall not be included for the purposes of the calculation) to the extent necessary, based on a recommendation of the independent committee. If the board of directors passes a resolution to extend the Board of Directors Evaluation Period, the Company will make timely and appropriate disclosure of the specific period resolved and the reason why such specific period is necessary, in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

#### 6. Establishment of Independent Committee

In order to ensure the objectivity and reasonableness of the manner of carrying out a series of procedures based on the Large-Scale Purchase Rules, including those for making a decision to implement or not to implement the

countermeasure, and in order to ensure the objectivity and reasonableness of a decision made where the Large-Scale Purchase Rules are complied with and any measures found to be appropriate to protect the common interests of the shareholders are taken, the Company shall establish an independent committee as an organization independent from the board of directors. The independent committee shall consist of at least three and a maximum of five members, and the members shall be appointed by the board of directors from among outside lawyers, certified public accountants, certified public tax accountants, academic experts, and outside corporate managers, and outside directors and outside auditors falling under any of the above. At the meeting of the board of directors held today, the appointment of the three persons set forth in Exhibit 1 as members was resolved, subject to the shareholders' approval for the Plan at the Annual Shareholders Meeting. The career summaries of the three persons mentioned above are as set forth in Exhibit 1.

Specifically, when a Large-Scale Purchase does not comply with the Large-Scale Purchase Rules, or a Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company's corporate value and the common interests of the shareholders, and when the board of directors makes a decision on whether to implement the countermeasure, the independent committee will make recommendations, in response to the board of directors' inquiries, as to whether the countermeasure is possible to be implemented, and whether it is necessary to confirm the shareholders' intention regarding the implementation of the countermeasure. In addition, the independent committee will provide advice in response to the board of directors' inquiries when the board of directors makes a decision on whether information provided by the Large-Scale Purchaser is adequate or inadequate.

The independent committee may, at the Company's expense, obtain advice from independent third parties (including financial advisers, certified public accountants, lawyers, certified public tax accountants, consultants, and other experts).

#### 7. Resolution by the Board of Directors, Holding of Shareholders Meeting

The board of directors shall, with the highest degree of respect for the independent committee's recommendations, adopt a resolution to implement, not to implement, or cancel the countermeasure, or any other necessary resolution.

In addition, if the board of directors finds it necessary to confirm the shareholders' intention regarding implementation of the countermeasure, it may also submit a proposal to the shareholders meeting. In such case, the board of directors shall promptly call the shareholders meeting so that a shareholders meeting can be held as soon as practicable.

If a proposal to implement the countermeasure is passed at the shareholders meeting, the board of directors shall perform necessary procedures in accordance with the shareholders meeting's decision (if a resolution to the effect that the authority to make a decision on the matters regarding implementation of the countermeasure is delegated to the board of directors is adopted at the shareholders meeting, the board of directors shall adopt a resolution to implement the countermeasure).

On the other hand, if a proposal to implement the countermeasure is rejected at the shareholders meeting, the board of directors shall adopt a resolution not to implement the countermeasure.

If the board of directors adopts a resolution to implement, not to implement, or cancel the countermeasure, or any other necessary resolution, or adopts a resolution to call a shareholders meeting as mentioned above, the board of directors will immediately disclose the outline of the resolution and other information found to be appropriate to the shareholders in accordance with the applicable Laws and Regulations and the regulations of financial instruments exchanges.

#### 8. Policy for Responding to Large-Scale Purchases

##### (1) Where the Large-Scale Purchase Rules Are Not Complied with



If a Large-Scale Purchaser fails to comply with the Large-Scale Purchase Rules, the board of directors may resist the Large-Scale Purchase only due to such violation by taking the countermeasure set forth in “Specific Details of the Countermeasure” in II.9. below (allotment of share options without contribution) for the purpose of protecting the Company’s corporate value and the common interests of the shareholders.

Implementing the countermeasure may eventually create some detriments, including dilution of economic value of shares or other economic loss, decrease in the percentage of voting rights, and disadvantages in exercising voting rights, to any Large-Scale Purchaser who has failed to comply with the Large-Scale Purchase Rules.

Therefore, the Large-Scale Purchase Rules aim to call Large-Scale Purchasers’ attention in advance so that they will not commence any Large-Scale Purchase without reference to these rules.

In addition, it is noted that a Large-Scale Purchaser using the tender offer systems is required to take certain designated measures in advance in accordance with the relevant laws and regulations; for example, such Large-Scale Purchaser is required to take measures allowing it to withdraw the tender offer where the countermeasure is implemented, in order not to suffer any unexpected loss.

## (2) Where the Large-Scale Purchase Rules Are Complied with

### A. General Handling

Where the relevant Large-Scale Purchaser complies with the Large-Scale Purchase Rules, even if the board of directors has a contrary intention regarding such Large-Scale Purchase, the board of directors will be limited to attempting to persuade the shareholders by expressing a contrary opinion regarding the offered purchase, or by presenting a substitute plan, and will not implement any countermeasure against such Large-Scale Purchase, as a general rule. Individual shareholders will be required to make a decision on whether to accept the purchase offered by the Large-Scale Purchaser with due consideration of the offered purchase and the opinion, substitute plan, etc. regarding the offered purchase presented by the Company.

### B. Handling Where Large-Scale Purchase Is Deemed to Be Contrary to Protection and Enhancement of the Company’s Corporate Value and the Common Interests of Shareholders

Even where the Large-Scale Purchase Rules are complied with, however, if the relevant Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company’s corporate value and the common interests of the shareholders, the board of directors or the shareholders meeting, as the case may be, may resist the Large-Scale Purchase by taking the countermeasure set forth in “Specific Details of the Countermeasure” in II.9. below (allotment of share options without contribution) at such time as it finds appropriate.

Specifically, if the relevant Large-Scale Purchase is found to fall under any of cases (i) through (ix) below, the Large-Scale Purchase will be deemed to be obviously contrary to the protection and enhancement of the Company’s corporate value and the common interests of its shareholders:

(i) Where the Large-Scale Purchaser is found not to have a bona fide intention of participating in the management of the Company, but to be acquiring the Company shares for the purpose of making parties related to the Company buy back the shares at an inflated share price (a so-called “green mailer”);

(ii) Where the Large-Scale Purchaser is found to be acquiring the Company shares for the purpose of temporarily controlling the management of the Company and thereby causing it to transfer to the Large-Scale Purchaser or its group companies, intellectual property, know-how, trade secrets, or major business partners and customers which are essential to the Company group’s business operation;

(iii) Where the Large-Scale Purchaser is found to be acquiring the Company shares with the intention of inappropriately utilizing the Company group’s assets as collateral or funds for repayment of the obligations of the Large-Scale Purchaser or its group companies after taking control over the management of the Company;

(iv) Where the Large-Scale Purchaser is found to be acquiring the Company shares for the purpose of temporarily controlling the management of the Company and thereby causing it to sell, or otherwise dispose of, its real properties, securities, or other high-priced assets which are irrelevant to the Company group's business for the time being, and to then distribute high dividends temporarily with the gains from such disposition or selling of the shares at a high price, seizing the opportunity of a sharp rise of the share price due to temporary high dividend payments;

(v) Where the conditions for acquisition (including, but not limited to, the type of the consideration for the purchase, price and the calculation basis, content, timing, method, potential illegality, feasibility, etc.) of the Company's share certificates, etc. proposed by the Large-Scale Purchaser are found to be substantially inadequate or inappropriate in light of the Company's corporate value with reasonable grounds;

(vi) Where the purchase method of the Company shares proposed by the Large-Scale Purchaser is found to be such a method that the shareholders' opportunity for assessment or freedom of choice may be restricted, or that may virtually force the shareholders to sell the Company shares, as exemplified by an oppressive two-tiered acquisition (meaning a purchase method of shares in a manner that the terms for the second-stage purchase are set more disadvantageously or are unclear in the event all of the Company shares are not solicited for purchase in the first-stage of purchase);

(vii) Where it is found that as a result of the Large-Scale Purchase, the protection and enhancement of the Company's corporate value may be substantially impeded with reasonable grounds; for example, where the Large-Scale Purchaser's acquisition of control is expected to cause material damage to the Company's corporate value, including the interests of its shareholders, customers, business partners, employees, and other stakeholders of the Company;

(viii) Where the Large-Scale Purchaser is found to be inappropriate as a controlling shareholder of the Company from a perspective of public policy; for example, where the Large-Scale Purchaser's management members or major shareholders include a person who has a relationship with an antisocial force; or

(ix) In other cases equivalent to any of (i) through (viii) above, and where the Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders.

When considering and making a decision on whether the relevant Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders, the board of directors will consider the specific details of the Large-Scale Purchaser and the Large-Scale Purchase (purpose, method, subject, type of consideration for acquisition, price, etc.) and the impact of the Large-Scale Purchase on the corporate value and the common interests of the shareholders based on information provided by the Large-Scale Purchaser, including the management policies, etc. after the purchase. In order to ensure the objectivity and reasonableness of such decision, the board of directors will make inquiries to, and receive recommendations from, the independent committee as to whether the relevant Large-Scale Purchase is found to be contrary to the protection and enhancement of the Company's corporate value and the common interests of its shareholders at such time as the board of directors finds appropriate.

## 9. Specific Details of the Countermeasure

The countermeasure to be implemented by the Company against a Large-Scale Purchase based on the Plan shall be an allotment of share options without contribution. The outline of such allotment of share options without contribution (the share options to be issued shall be hereinafter referred to as the "Share Options") to be implemented as a countermeasure against a Large-Scale Purchase is as set forth in Exhibit 2. Where an allotment of the Share Options without contribution is actually implemented, the exercise period, conditions for exercise, provisions for acquisition, etc. may be provided for by taking into consideration their effectiveness and reasonableness as a countermeasure against the Large-Scale Purchase, including: (i) a condition to exercise to the

effect that a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures or its joint holder or specially-related party, or a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons shall not be allowed to exercise the rights, or (ii) a provision for acquisition to the effect that when the Company acquires a part of the Share Options, the Company may only acquire the Share Options owned by the Share Options holders other than a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures and its joint holder and specially-related party, and a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons.

### III. Effective Period and Continuation, Abolishment, and Amendment of the Plan

With regard to the Plan, the Company intends to submit a proposal at the Annual Shareholders Meeting, and to have the proposal be approved by the shareholders. If the shareholders approve it, the effective period of the Plan shall end at the close of the Company's annual shareholders meeting to be held in 2019.

However, even before the expiry of the effective period, if (i) a proposal for abolishment of the Plan is approved at a shareholders meeting, or (ii) a resolution to abolish the Plan is adopted at a meeting of the board of directors, the Plan shall be abolished at the time. Therefore, the Plan may be abolished at any time in accordance with the shareholders' intention.

In addition, since the term of office of a director of the Company is set at one year, the issue of whether to continue, abolish, or change the Plan will be considered and discussed at the meeting of the board of directors to be first held after the close of the annual shareholders meeting of this year or thereafter.

For the purposes of protecting and enhancing the corporate value and the common interests of its shareholders, the Company may also review the Plan as necessary or change the Plan, to the extent that it is considered not to be contrary to the intentions of the shareholders approving the Plan, at a meeting of the board of directors other than the meeting of the board of directors to be first held after the close of the annual shareholders meeting. If the board of directors makes any material changes beyond minor changes due to changes in laws, etc., such changes will be submitted, as agenda items, to the annual shareholders meeting to be first held after such changes, and will be subject to the shareholders' approval.

If a resolution to abolish or change the Plan is adopted, the Company will promptly disclose to the shareholders all information that the board of directors or the independent committee considers appropriate, in accordance with the applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

### IV. Reasonableness of the Plan

The Plan meets the three principles as stipulated in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005 ((i) the principle of protecting and enhancing corporate value and shareholders' common interests, (ii) the principle of prior disclosure and shareholders' will, and (iii) the principle of ensuring necessity and reasonableness) as follows, and the Plan fully adheres to the content of the "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008, by the Corporate Value Study Group established within the Ministry of Economy, Trade and Industry, and "Principle 1.5 Anti-Takeover Measures" of "Japan's Corporate Governance Code [Final Proposal]" released on March 5, 2015, by the Tokyo Stock Exchange; and thus the Plan is highly reasonable.

(i) Replacement with the Plan for the Purpose of Protecting and Enhancing the Company's Corporate Value and the Common Interests of Shareholders

The Plan provides for the procedures for the relevant Large-Scale Purchaser, when a Large-Scale Purchase is made, to provide information regarding the Large-Scale Purchase in advance, and for the Company to set a period for collecting and reviewing information regarding such purchase, and thereafter to present its management's plan or a substitute plan to the shareholders, and to negotiate with the Large-Scale Purchaser. Thus, it is intended to replace the 2013 Plan with the Plan for the purpose of protecting and enhancing the corporate value and the common interests of the shareholders.

(ii) Reliance on Reasonable Intention of Shareholders

Because the shareholders' intention will be confirmed at the Annual Shareholders Meeting, the Plan relies upon the shareholders' reasonable intention and is designed to reflect the shareholders' intention regarding the continuance of the takeover defense measures.

(iii) Emphasis on Highly Independent Outsiders' Decisions

In connection with the execution of the Plan, the Company has established an independent committee as an advisory organization to eliminate any arbitrary decision by the board of directors and to make a substantive and objective decision on behalf of the shareholders with regard to implementing the countermeasure.

It is provided that the board of directors' decisions under the Plan shall be required to pay the highest degree of respect to recommendations made by the independent committee which is an organization independent from the board of directors; therefore, it can be said that the Plan has secured a mechanism to prevent the countermeasure from being arbitrarily implemented by the board of directors.

In addition, it is provided that the independent committee shall consist of at least three and a maximum of five members, and that in order to allow fair and neutral decisions to be made, the members shall be appointed by the board of directors from among outside lawyers, certified public accountants, certified public tax accountants, academic experts, and outside corporate managers who are independent from the Company's management members executing its business and who have no special interest in the Company or its management members, and outside directors and outside auditors falling under any of the above.

(iv) Obtaining Outside Experts' Opinion

In implementing the countermeasure, the board of directors of the Company will conduct deliberations with advice from outside professional advisors as needed. Through such process, objectivity and reasonableness will be ensured with regard to decisions of the board of directors of the Company.

(v) Establishment of Reasonable and Objective Requirements for Implementation of the Countermeasure

As stated in II.8.(1) "Where the Large-Scale Purchase Rules Are Not Complied with" and II.8.(2) "Where the Large-Scale Purchase Rules Are Complied with" above, the countermeasure under the Plan cannot be implemented unless reasonable, detailed, and objective requirements for implementation designated in advance are met; therefore, it can be said that the Plan has secured a mechanism to prevent the countermeasure from being arbitrarily implemented by the board of directors.

(vi) Prior Disclosure

The Company is making prior disclosure of the Plan in order to increase predictability for the shareholders and investors as well as Large-Scale Purchasers and to ensure a fair opportunity for the shareholders to make a selection.

In the future as well, the Company intends to make timely and appropriate disclosure as needed in accordance with applicable Laws and Regulations as well as the regulations of financial instruments exchanges.

(vii) No Dead-Hand or Slow-Hand Takeover Defense Measures

As stated in III. "Effective Period and Continuation, Abolishment, and Amendment of the Plan" above, because it is provided that the Plan may be abolished at any time by the Company's shareholders meeting or board of

directors consisting of directors appointed by the shareholders meeting, it is not a so-called “dead-hand” type takeover defense measure (a takeover defense measure which cannot be prevented from being implemented even if the majority of members of the board of directors is replaced).

In addition, because the Company has set the term of office of a director at one year, the Plan is not a so-called “slow-hand” type takeover defense measure (a takeover defense measure which requires time to be blocked because the members of the board of directors cannot be replaced all at once).

#### Impact on Shareholders and Investors

##### 1. Impact of Large-Scale Purchase Rules on Shareholders and Investors

The purposes of the Large-Scale Purchase Rules are to secure information and time necessary for individual shareholders to make a decision on whether to accept a Large-Scale Purchase, to provide an opinion of the board of directors which is actually in charge of the management of the Company, and to secure the opportunity for the shareholders to receive the presentation of a substitute plan. This enables the shareholders to make an appropriate decision on whether to accept the Large-Scale Purchase with sufficient information and time, which will lead to the protection of the common interests of the shareholders.

Therefore, the Company believes that the establishment of the Large-Scale Purchase Rules will contribute to the avoidance of a situation where the shareholders and investors are forced to make a decision without being provided sufficient information and time, and will serve the Company’s corporate value and the common interests of the shareholders and investors. As stated in II.8.(1) “Where the Large-Scale Purchase Rules Are Not Complied with” and II.8.(2) “Where the Large-Scale Purchase Rules Are Complied with” above, however, the Company’s policies for responding to Large-Scale Purchases vary depending on whether the relevant Large-Scale Purchaser complies with the Large-Scale Purchase Rules; therefore, the shareholders and investors are required to pay attention to the Large-Scale Purchaser’s actions.

If a situation arises that makes it inappropriate to implement the countermeasure after starting the procedures to implement the countermeasure and the board of directors determines, with the highest degree of respect for the independent committee’s recommendations and with due consideration of advice obtained from outside experts as necessary, that it is not appropriate to maintain the implementation of the countermeasure, then the board of directors may cancel the countermeasure. Specifically, after allotting share options without contribution, the board of directors may cancel the allotment of share options without contribution, or may obtain all the share options allotted without contribution. In such a case, because the value of the Company shares would not be diluted, any investor who sold or purchased the Company shares on the premise of a dilution of the value of the Company shares may suffer commensurate losses depending on fluctuations in the share price.

##### 2. Impact on Shareholders and Investors at the Time of Implementing the Countermeasure

Where a Large-Scale Purchaser does not comply with the Large-Scale Purchase Rules, or where a Large-Scale Purchaser complies with the Large-Scale Purchase Rules but the Large-Scale Purchase is found to be obviously contrary to the protection and enhancement of the Company’s corporate value and the common interests of its shareholders, the board of directors may resist the Large-Scale Purchase by taking the countermeasure set forth in II.9 “Specific Details of the Countermeasure” above (allotment of share options without contribution) for the purpose of protecting and enhancing the Company’s corporate value and the common interests of its shareholders; however, under the mechanism of the countermeasure, the board of directors does not foresee a situation wherein the shareholders (excluding the Large-Scale Purchaser) may suffer any special loss in respect of their legal rights or economic benefits.

With regard to allotment of share options without contribution, there are no necessary procedures for the shareholders to perform. However, in order for the shareholders to be entitled to any allotment of share options without contribution, the shareholders are required to be recorded on the final shareholders registry as of the record date for the allotment of share options without contribution that will be separately set and publicly announced by the board of directors or the shareholders meeting, as the case may be. In addition, to exercise the share options, the shareholders are required to make a designated amount of payment during a designated period. The Company will separately inform the shareholders of the details of the procedures when an allotment of share options without contribution is determined to be actually made, pursuant to laws and regulations.

End

## Exhibit 1

### Names and Career Summaries of Independent Committee Members

The members of the initial independent committee at the time of the replacement with the Plan are scheduled to be the following three persons:

[Name] Hidenori Nishi

Outsider director of the Company

Born on January 6, 1951

(Career Summary):

April 1975	Joined KAGOME CO., LTD.
June 2000	Director of said company
June 2003	Executive officer and director of said company
June 2005	Managing executive officer and director of said company
June 2008	Senior managing executive officer and director of said company
April 2009	Representative director and president of said company
January 2014	Representative director and chairman of said company
June 2014	Director of the Company <present>
March 2016	Director, chairman of the KAGOME CO., LTD. <present>

Hidenori Nishi is an outside director and is an independent officer pursuant to the regulations of financial instrument exchanges. Mr. Nishi's election will be referred to the current Annual Shareholders Meeting and plans call for him to be re-elected as an outside director. Mr. Nishi has no special interest in the Company.

[Name] Nobumasa Kemori

Outside director of the Company (to be appointed at the current Annual Shareholders Meeting)

Born on April 12, 1951

(Career Summary):

September 1980	Joined Sumitomo Metal Mining Co., Ltd.
June 2006	Managing executive officer and director of said company
June 2007	Representative director and president of said company
June 2013	Representative director and chairman <present>
June 2016	To be appointed as a director of the Company

Nobumasa Kemori's election will be referred to the current Annual Shareholders Meeting and plans call for him to be elected as an outside director. If he is elected, the Company will file notice regarding Mr. Kemori as an independent officer pursuant to the rules of financial instrument exchanges. Mr. Kemori has no special interest in the Company.

[Name] Hidekado Miyaji

University professor (substitute auditor of the Company)

Born on February 11, 1952

(Career Summary):

April 1975	Official, Income Tax Division, National Tax Agency
July 1982	District Director, Mikuni Tax Office, Kanazawa Regional Taxation Bureau
July 1987	Director, Police Administration Department, Iwate Prefectural Police Headquarters
July 1991	Consul, Consulate General of Japan In New York
July 1996	Director, National Tax Agency
July 1999	Director, Second Examination Department, Tokyo Regional Taxation Bureau
July 2002	Director, Research Department, National Tax College
August 2003	Professor, Faculty of Social-Human Environmentology, Daito Bunka University <present>

Hidekado Miyaji is a substitute audit & supervisory board member his election will be referred to the current Annual Shareholders Meeting and plans call for him to be re-elected as a substitute audit & supervisory board member. Mr. Miyaji has no special interest in the Company.



## Exhibit 2

### Outline of Share Options

#### 1. Method of Allotment of Share Option (Allotment of Share Options without Contribution)

Share options shall be allotted to the shareholders recorded in the final shareholders registry as of the record date for the allotment specified in a resolution by the board of directors or the shareholders meeting (as the case may be) (the “Resolution for Allotment of Share Options without Contribution”) regarding allotment of share options without contribution pursuant to Article 278 of the Companies Act at the ratio of one share option per one share held (excluding the Company shares held by the Company as of that date).

#### 2. Total Number of Share Options to Be Issued

The total number of share options to be issued shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

#### 3. Effective Date of Allotment of Share Options without Contribution

The effective date of allotment of share options without contribution shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

#### 4. Class of Shares Underlying Share Options

The class of shares underlying share options shall be the Company’s common shares.

#### 5. Total Number of Shares Underlying Share Options

(1) The number of shares underlying share options per share option (the “Number of Underlying Shares”) shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

(2) The total number of shares underlying share options shall be up to the number obtained by deducting the total number of issued shares as of the Resolution for Allotment of Share Options without Contribution (excluding the number of the Company shares held by the Company at that time) from the total number of authorized shares specified in the Company’s articles of incorporation.

#### 6. Amount to Be Paid in Upon Exercise of Share Options

The assets to be invested upon exercise of share options shall be money, and the amount to be paid in shall be the amount not less than one yen separately specified in the Resolution for Allotment of Share Options without Contribution.

#### 7. Exercise Period

The exercise period of share options shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

#### 8. Restriction on Transfer

Share options shall be transferred only with approval of the board of directors.

#### 9. Conditions for Exercise

The conditions for exercise of share options shall be separately specified in the Resolution for Allotment of Share Options without Contribution (the Company may provide for a condition to exercise to the effect that a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures or its joint holder or specially-related party, or a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons shall not be allowed to exercise the rights).

#### 10. Provision for Acquisition

Subject to either (a) the relevant Large-Scale Purchaser's violation of the Large-Scale Purchase Rules or occurrence of any other certain event or (b) the arrival of the date separately specified by the board of directors, the Company may, in accordance with the board of directors' resolution, provide for a provision for acquisition to the effect that the Company may only acquire all the share options or the share options owned by the share option holders other than a certain Large-Scale Purchaser specified by the board of directors pursuant to the designated procedures and its joint holder and specially-related party, and a person who the board of directors finds to be a person who is substantially controlled by these persons or who acts together with these persons. The details shall be separately specified in the Resolution for Allotment of Share Options without Contribution.

#### 11. Acquisition without Contribution

If the board of directors determines that it is not appropriate to maintain the implementation of the countermeasure, or in other cases separately specified in the Resolution for Allotment of Share Options without Contribution, the Company may acquire all the share options without contribution.

#### 12. Other

The Company shall make a shelf registration regarding the issuance of share options.

End

## 1. Nagase Group business conditions

### (1) Development and results of business operations

During the fiscal year under review, developments in the Japanese economy included a sense of stagnation in personal consumption as well as concerns about a deterioration of corporate profits as a result of the decline in resource prices and the rising value of the yen since the beginning of the year, and consequently, the sense of uncertainty regarding the future increased. Corporate activity and personal consumption in the United States were firm, but China and other emerging-market countries continued to experience sluggish growth, and there is a growing feeling of uncertainty concerning future developments.

Under these circumstances, results during the consolidated fiscal year under review were domestic sales of 363.03 billion yen (down 3.0% from the previous consolidated fiscal year), overseas sales of 379.15 billion yen (down 1.6%), and net sales of 742.19 billion yen (down 2.3%).

With regard to profit, as a result of the lower revenues, the gross profit was 91.66 billion yen (down 0.4%) and operating income was 18.02 billion yen (down 0.7%). Ordinary income was 18.39 billion yen (down 9.7%) as a result of investment profit (loss) on equity method and foreign exchange gain and loss. Profit attributable to owners of parent, however, was 12.31 billion yen, up 8.8%, despite reporting impairment loss in relation to goodwill and business assets as a result of lower tax expenses in conjunction with application of the consolidated taxation system from the fiscal year ending March 2017.

	Fiscal Year Ended	Fiscal Year Ended	Year on Year	
	March 31, 2015	March 31, 2016	(million yen)	(%)
	(million yen)	(million yen)		
Net sales	759,713	742,194	(17,518)	(2.3%)
Operating income	18,153	18,024	(128)	(0.7%)
Ordinary income	20,366	18,390	(1,975)	(9.7%)
Profit attributable to owners of parent	11,318	12,316	997	8.8%

## Overview by Segment

### <Functional Materials>

#### Net sales

157.14 billion yen (down 6.6% from the previous fiscal year)

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>

#### Net sales

255.50 billion yen (up 0.5% from the previous fiscal year)

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>

#### Net sales

127.92 billion yen (down 14.7% from the previous fiscal year)

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 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>

##### Net sales

115.35 billion yen (up 5.0% from the previous fiscal year)

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>

##### Net sales

85.57 billion yen (up 11.7% from the previous consolidated fiscal year)

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

The life & healthcare products business recorded 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>

No special matters to disclose.

## (2) Status of capital investment

During the consolidated fiscal year under review, the Group made 11.12 billion yen in capital investment (including intangible fixed assets), including 1.91 billion yen in capital investment by Hayashibara Co., Ltd., to stabilize supplies of functional sugar products and enhance competitiveness (in the Life & Healthcare segment).

A breakdown of capital investment amounts by segment is set forth below.

Segment	Amount (million 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

## (3) Status of capital procurement

During the fiscal year under review, the Group's short-term loans decreased by 3.7 billion yen as a result of a reduction in working capital, and the Group repaid 6.4 billion yen in long-term loans and redeemed 10.0 billion yen in corporate bonds using cash flows from operating activities as the source of funds. At the same time, in order to meet the demand for capital investment by Group companies in Japan and overseas, the Group procured 1.9 billion yen in long-term loans and issued 10.0 billion yen in bonds. As a result of the above and effects from fluctuations in foreign exchange rates and other factors, the Group's interest-bearing liabilities decreased by 10.9 billion yen.

Domestic Group companies, particularly wholly owned subsidiaries, in principle do not procure capital from outside the Group, and the Company performs centralized capital management. Overseas Group companies are unifying capital procurement and raising capital efficiency including centralized management of yuan by a local subsidiary in Shanghai for some Group companies in China.

## (4) Status of transfers of business, absorption-type company split or corporate divisions

No relevant matters.

## (5) Status of acquisition of business of other companies

No relevant matters.

## (6) Status of assumption of rights and duties relating to the business of other companies through absorption-type or company split

No relevant matters.

(7) Status of acquisition or disposal of shares, other equity interests, or share options and the like of other companies

No relevant matters.

(8) Issues to be addressed

The Company sees the Long-Term Management Policy and the issues raised in the **ACE-2020** new Medium-Term Management Plan as issues to be addressed and is working to raise corporate value.

#### Long-Term Management Policy

As we approach year 2032, our 200th anniversary, we planned Long-Term Management Policy to aim normalization of 3 times of profit of today through “Challenges for growth” and “Reinforce the management platform for growth”.

Realize a significant growth by allocating management resources to focused business and by shifting operation from Japan-centrism to multinational management system under “Challenges for growth”. To lead growth challenges to success, construct a management platform that will contribute to business expansion and globalization with “Reinforce the management platform for growth”.

#### New Mid-Term Management Plan **ACE-2020**

To achieve our Long-Term Management Plan, we divide 17 years of its term into three and start stage 1: “Reform” as the beginning of the Mid-Term Management Plan, **ACE-2020**. **ACE-2020** stands for Accountability, Commitment and Efficiency by throughout 2020.

With **ACE-2020**, we strings all the groups together to create and provide new value to the world through 6 key functions; Trading, Manufacturing, R&D, Global Network, Logistics and Investment.

Under this plan, we will set aside 100 billion yen for growth investments to increase group profits. This fund will be financed as a rule through operating cash flows and interest-bearing debt. At the same time, we will ensure long-term, stable dividends through working capital efficiencies and asset replacement.

The following table shows the quantitative targets of **ACE-2020**:

	Targets	FY2015 Actual
Consolidated Sales	1 trillion yen	742 billion yen
Consolidated Operating Income	30 billion yen	18 billion yen
ROE	6.0%<	4.4%

\* Our goal is to normalize the above target.

#### New Mid-Term Plan

**ACE-2020** enforces two kinds of reform, “Reform Profit Structure” and “Reform Corporate Culture”.

(1) Reform Profit Structure

Focused Measures(1)-1: Portfolio Optimization

Divide entire businesses into 4 sectors, “Growth/Emerging”, “Focus”, “Base” and “Improvement” to gain maximum efficiency of management resources and expand business. In addition, solidify management resource that can be reallocated and conduct aggressive growth investment in order to accelerate the asset replacement.

Furthermore, growing investment distribution ratio for focus area has set to be greater than 35%.

Focus Area : Life & Healthcare, Electronics

Focused Measures(1)-2: Expand and Strengthen Revenue Base

Trading and manufacturing business sector stands individual KPI to improve each function. We create new business by leverage 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.

(2) Reform Corporate Culture

Focused Measures (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 Measures(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%.

Accelerate HR Development to increase group competition and sustainable development by carrying long term career plans and proactively recruit talents from outside.



## (9) Changes in Assets and Profit/Loss

(Unit: million yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Net sales	666,272	723,212	759,713	742,194
Ordinary income	17,927	17,905	20,366	18,390
Profit attributable to owners of parent	14,182	11,663	11,318	12,316
Net income per share (Unit:yen)	111.31	91.86	89.10	96.96
Total asset	486,747	498,141	546,525	512,081
Net asset	237,806	251,892	287,500	279,149

## Notes:

1. Amounts indicated in units of 1 million yen are rounded down to the nearest 1 million yen.
2. Paragraph 39 of the Accounting Standard for Business Combinations (ASBJ Statement No. 22; September 13, 2013) and other standards are applied, and as of the consolidated fiscal year under review, net income has been changed to profit attributable to owners of parent.

(10) Status of parent company and main subsidiaries (As of March 31, 2016)

a) Status of parent company

No applicable information.

b) Status of main subsidiaries

Company name	Capital	Percentage of voting rights held	Primary business
Hayashibara Co., Ltd.	7,500 million yen	100.0%	Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, and functional dies
Nagase ChemteX Corporation	2,474 million yen	100.0%	Manufacture of epoxy resins, enzyme producers, and chemical industry products
Totaku Industries, Inc.	270 million yen	100.0%	Manufacture and sale of plastic products
Shanghai Hua Chang Trading Co., Ltd.	(thousand) RMB 19,864	70.0% (53.8%)	Sale of plastics and related products
Nagase Plastics Co., Ltd.	310 million yen	100.0%	Sale of plastic products
Nagase (Hong Kong) Ltd.	(thousand) HK\$ 3,120	100.0%	Import/export, trade brokerage, market development, information gathering
Nagase (Thailand) Co., Ltd.	(thousand) BAHT 321,000	100.0%	Import/export, trade brokerage, market development, information gathering
Shanghai Nagase Trading Co., Ltd.	(thousand) RMB 8,120	100.0%	Import/export, trade brokerage, market development, information gathering
Nagase America Corporation	(thousand) US\$ 3,500	100.0%	Import/export, trade brokerage, market development, information gathering
Guangzhou Nagase Trading Ltd.	(thousand) RMB 77,294	100.0% (100.0%)	Import/export, trade brokerage, market development, information gathering

Notes:

1. Figures in parentheses under percentage of voting rights held indicate indirect ownership (included in total equity holdings).
2. As of the end of the fiscal year under review, there were no specified wholly owned subsidiaries.

(11) Main business activities (As of March 31, 2016)

The Nagase Group conducts import and export of a diverse range of products, conducts domestic transactions, and manufactures, sells, and services products.

Business Segment	Products Handled or Services Provided
Functional Materials	Paints and inks, urethane materials, plastics, plastic additives, oil materials, surfactants, fluorochemicals, sealant materials, silicone materials, others
Advanced Materials & Processing	Dyes, pigments, functional coloring materials, information printing-related materials, thermoplastic resins, thermosetting resins, synthetic rubber, inorganic materials, plastics, plastic moldings and molds and dies, inspection equipment, others
Electronics	LCD and semiconductor processing materials and equipment, LCD panel components and materials, semiconductor assembly materials and equipment, low-temperature vacuum equipment, high-performance epoxy resins, electronic precision abrasives, others
Automotive & Energy	Synthetic plastics, thermoplastic resins, thermosetting resins, plastic moldings and molds, battery materials, solar cells and rechargeable battery-related components and materials, others
Life & Healthcare	Pharmaceutical and agricultural ingredients, research reagents, test chemicals, exogenous enzymes, foodstuff additives, cosmetics additives, feed and fertilizer, surfactants, radiation measuring services, cosmetics, health foods, beauty foods, others
Other	Logistics services, information processing services, vocational services, others

## (12) Main Offices and Plants (As of March 31, 2016)

NAGASE & CO., LTD.	Domestic Sales Branch	Head office	Osaka Head Office (Osaka, Osaka)
		Branch	Tokyo Head Office (Chuo-ku, Tokyo), Nagoya Branch Office (Nagoya, Aichi)
		Sales branch	Sakai Sales Office (Sakai, Osaka)
	Domestic R&D Center	Nagase R&D Center (Kobe, Hyogo), Nagase Application Workshop (Amagasaki, Hyogo)	
Subsidiaries	Domestic Sales Branch	Nagase Plastics Co., Ltd. (Osaka, Osaka) and others	
	Domestic Manufacturing Plant	Hayashibara Co., Ltd.: Okayama 1 <sup>st</sup> Plant, 2 <sup>nd</sup> Plant, Okayama Functional Sugar Plant, Fujita Plant, Fujita Formulation Plant (Okayama, Okayama) and others Nagase ChemteX Corporation: Harima Plant, (Tatsuno, Hyogo), Fukuchiyama Plant (Fukuchiyama, Kyoto), Sakai Plant (Sakai, Osaka) Totaku Industries, Inc.: Kansai Rinku Plant (Sennan, Osaka) and others	
	Domestic R&D Center	Hayashibara Co., Ltd. R&D Center (Okayama, Okayama) and others Nagase ChemteX Corporation R&D Center (Tatsuno, Hyogo)	
	Overseas Sales Branch	Shanghai Hua Chang Trading Co., Ltd., Nagase (Hong Kong) Ltd., Nagase (Thailand) Co., Ltd., Shanghai Nagase Trading Co., Ltd., Nagase America Corporation, Guangzhou Nagase Trading Ltd. and others	

(13) Status of employees (As of March 31, 2016)

a) Status of the Group's employees

Business Segment	Number of employees
Functional Materials	549
Advanced Materials & Processing	1,545
Electronics	1,754
Automotive & Energy	332
Life & Healthcare	1,057
Other	225
Company-wide (common)	805
Total	6,267

Notes:

1. The number of employees indicates the number of persons employed.
2. The number of employees indicated as "Company-wide (common)" refers to employees who are assigned to management divisions that cannot be categorized in a particular business segment.

b) Status of the Company's employees

Number of employees	Change from the end of the previous fiscal year	Average age	Average length of service
971	-2	39.9	14.0 years

Note: The number of employees indicates the number of persons employed.

(14) Main lenders and loan amounts (As of March 31, 2016)

Lenders	Loan Amounts
Sumitomo Mitsui Banking Corporation	15,148 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,744 million yen
Mizuho Bank, Ltd.	5,597 million yen

Note: Amounts of less than 1 million yen are rounded down.

(15) Other materials matters relating to the current state of the Corporate Group

No relevant data.

**2. Matters relating to the Company's shares** (As of March 31, 2016)

(1) Total number of shares authorized	346,980,000
(2) Total number of shares issued	127,408,285
(3) Number of shareholders	7,338
(4) Major shareholders (top 10)	

Major Shareholders	Number of shares owned (thousand shares)	Holdings percentage (%)
NORTHERN TRUST CO. (AVFC) RE SILCHESTER		
INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	6,780	5.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,208	4.89
Sumitomo Mitsui Trust Bank, Limited	5,776	4.55
Japan Trustee Services Bank, Ltd. (Trust Account)	4,941	3.89
Sumitomo Mitsui Banking Corporation	4,377	3.45
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,018	3.16
Nippon Life Insurance Company	3,589	2.83
Reiko Nagase	3,565	2.81
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.32
Hiroshi Nagase	2,946	2.32

Notes:

1. The Company holds 377,300 shares of treasury stock, and holdings percentages are calculated with this quantity excluded.
2. Quantities of less than 1,000 shares are rounded down.
3. The number of shares owned by Hiroshi Nagase includes shares held in the name of the Nagase Industry Officer's Shareholding Association.

(5) Other materials matters relating to shares

No applicable information.

### **3. Matters relating to share options for the Company's stock**

(1) Status of share options held by the Company officers as of the end of the fiscal year

No applicable information.

(2) Status of share options granted to employees and others during the fiscal year

No applicable information.

(3) Other material matters relating to share options

No applicable information.

#### 4. Matters relating to officers

(1) Status of the Company officers (As of March 31, 2016)

Position	Name	Areas of responsibility or profession	Significant concurrent positions outside the Company
Representative Director and Chairman	Hiroshi Nagase		
Director and Vice Chairman	Reiji Nagase		Director, Nagase Science Technology Foundation Representative Director, Hayashibara Museum of ART
Representative Director and President	Kenji Asakura		
Representative Director	Mitsuro Naba	In charge of Administration	
Director	Hiroshi Hanamoto	General Executive of Electronics Segment, in charge of Nagase Application Workshop Manufacturing Industry	
Director	Osamu Morishita	General Executive of Life & Healthcare Segment, in charge of Hayashibara Co., Ltd., Nagase R&D Center, Osaka region	
Director	Kohei Sato	General Executive of Functional Materials Segment, Automotive & Energy Segment, in charge of America and Europe	
Director	Ichiro Wakabayashi	General Executive of Advanced Materials & Processing Segment, in charge of Asia and CEO of Korea	



Position	Name	Areas of responsibility or profession	Significant concurrent positions outside the Company
Director	Yasuo Nishiguchi		Chairman & CEO of Socionext Inc. President of HANDY Inc. Chairman of SOLE Inc Outside Director of Zensho Holdings Co., Ltd. Outside Director of Yushin Precision Equipment Co., Ltd.
Director	Hidenori Nishi		Director of Chairman of KAGOME CO., LTD. Outside Director of Dynapac Co., Ltd. Chairman of Japan Tomato Processors Association Chairman of Japan Canners Association
Full-time Audit & Supervisory Board Member	Hideo Yamashita		
Full-time Audit & Supervisory Board Member	Kenichi Matsuki		
Full-time Audit & Supervisory Board Member	Masahiko Hamaguchi		
Audit & Supervisory Board Member	Toshio Takano	Lawyer	External Audit & Supervisory Board Member of GLOBERIDE, Inc. Corporate Auditor of Kakaku.com, Inc. External Corporate Auditor of Daicel Corporation Audit & Supervisory Board Member of FANCL CORPORATION

Notes:

1. Directors Yasuo Nishiguchi and Hidenori Nishi are outside directors and are independent officers pursuant to the regulations of financial instruments exchanges.
2. Full-time Audit & Supervisory Board Members Hideo Yamashita and Toshio Takano are External Audit & Supervisory Board Members and are independent officers pursuant to the regulations of financial instruments exchanges.
3. Full-time Audit & Supervisory Board Member Hideo Yamashita has many years of experience in financial institutions and possesses considerable knowledge regarding finance and accounting.

4. Full-time Audit & Supervisory Board Member Kenichi Matsuki has experience in multiple management divisions including the Company's Human Resource and General Affairs Division and Audit Department and possesses considerable knowledge regarding governance.
5. Full-time Audit & Supervisory Board Member Masahiko Hamaguchi has many years of experience in the Company's Compliance and Logistics Division and possesses considerable knowledge regarding compliance and logistics.
6. Audit & Supervisory Board Member Toshio Takano has many years of experience in the legal field as an attorney and possesses considerable knowledge regarding compliance and governance.
7. Pursuant to its Articles of Incorporation, the Company has entered into agreements limiting the liability for damage specified in Article 423, Paragraph 1 of the Companies Act with Outside Directors Yasuo Nishiguchi and Hidenori Nishi and External Audit & Supervisory Board Members Hideo Yamashita and Toshio Takano. The maximum amount of liability pursuant to those agreements is the minimum amount of liability specified in Article 425, Paragraph 1 of the Companies Act.
8. The Company has adopted an executive officer system, and with the exception of Directors Hiroshi Nagase and Reiji Nagase and Outside Directors Yasuo Nishiguchi and Hidenori Nishi, all directors are also executive officers.
9. Changes in Directors and Audit & Supervisory Board Members during the fiscal year

(1) Appointments

Kohei Sato and Ichiro Wakabayashi were newly elected and appointed as Directors and Kenichi Matsuki was newly elected and appointed as an Audit & Supervisory Board Member at the 100th ordinary general meeting of shareholders held on June 24, 2015.

(2) Resignations

Directors Kenichi Matsuki and Toshiro Yamaguchi and Audit & Supervisory Board Member Masao Hidaka resigned effective as of the conclusion of the 100th Annual Shareholders Meeting held on June 24, 2015.

(3) Changes in status or areas of responsibility of directors during the fiscal year

The areas of responsibility of Directors as of January 1, 2016 were as set forth below.

Position	Name	New	Old
Director	Ichiro Wakabayashi	General Executive of Advanced Materials & Processing Segment, in charge of Asia and CEO of Korea	General Executive of Advanced Materials & Processing Segment, in charge of Asia, CEO of ASEAN, India and Korea

<Reference>

The areas of responsibility of directors as of April 1, 2016 were as set forth below.

Position	Name	New	Old
Representative Director	Mitsuro Naba	In charge of Administration and Osaka region	In charge of Administration
Director	Osamu Morishita	In charge of Hayashibara Co., Ltd., Nagase R&D Center and Manufacturing Industry	General Executive of Life & Healthcare Segment, in charge of Hayashibara Co., Ltd., Nagase R&D Center, Osaka region
Director	Kohei Sato	In charge of Overseas Business	General Executive of Functional Materials Segment, Automotive & Energy Segment, in charge of America and Europe
Director	Ichiro Wakabayashi	In charge of Sales, General Executive of Advanced Materials & Processing Segment and Electronics Segment, in charge of Manufacturing Division, Nagase Application Workshop	Managing Director of Advanced Materials & Processing Segment, in charge of Asia and CEO of Nagase Korea
Director	Hiroshi Hanamoto		General Executive of Electronics Segment, in charge of Nagase Application Workshop, Manufacturing Industry

Note: Director Hiroshi Hanamoto resigned as an executive officer effective March 31, 2016.

2. Status of executive officers (excluding executive officers who are also directors)

Executive officers were elected on April 1, 2016, and their areas of responsibility are as set forth below.

Status	Name	Areas of responsibility
Managing Executive Officer	Akihiko Isono	In charge of Nagase ChemteX Corporation
Executive Officer	Katsuhisa Yamaguchi	Greater China CEO
Executive Officer	Mitsuru Kanno	Nagase (Europe) GmbH CEO
Executive Officer	Masatoshi Kamada	General Manager of Electronic Materials Department
Executive Officer	Masanori Furukawa	In charge of Hayashibara Co., Ltd.
Executive Officer	Takanori Yamauchi	General Manager of Human Resources & General Affairs Division and Logistics Management Division
Executive Officer	Satoru Morita	General Manager of Intellectual Property Office and Officer in charge of support of management for affiliated manufacturing companies
Executive Officer	Masaya Ikemoto	General Manager of Automotive & Energy Segment and Automotive Solutions Department and Manager of Nagoya Branch
Executive Officer	Yasuhiro Mihara	General Executive of Functional Materials Segment and Specialty Chemicals Department
Executive Officer	Naoki Yasuba	General Executive of Life & Healthcare Segment and Life & Healthcare Products Department
Executive Officer	Takahiro Okumura	General Manager of Electronic Chemicals Department

(2) Total remuneration paid to Directors and Audit & Supervisory Board Members

Status	Number	Amount	Remuneration Limit decided by the Resolutions of Annual Shareholders Meeting
Director	12	323 million yen	450 million yen annually (Resolution of Meeting on June 24, 2015)
Audit & Supervisory Board Member	5	74 million yen	80 million yen annually (Resolution of Meeting on June 28, 2006)
Total	17	397 million yen	

Notes:

1. Included in the above is 49 million yen in total remuneration paid to the four outside directors.
2. The total amount paid to directors indicated above includes 74 million yen which is reported as an expense of accrued bonuses for directors during the fiscal year under review.
3. In addition to the above, 35 million yen in employee salaries was paid to directors who also serve as employees.
4. The amount of remuneration indicated above includes remuneration paid to two directors and one Audit & Supervisory Board Member who resigned effective as of the conclusion of the 100th Annual Shareholders Meeting of shareholders held in June 24, 2015.
5. Policy on determination of officer remuneration amounts

Remuneration paid to officers other than outside Directors and outside External Audit & Supervisory Board Members comprises base remuneration and performance-linked remuneration (bonuses) and is calculated in accordance with the Officer Remuneration Rules and determined by resolution of the Board of Directors. With regard to performance-linked remuneration (bonuses), a base payment amount is determined based on performance during the relevant period and reflects individual assessment performed in accordance with a target management system.

In addition, the Officer Compensation Committee investigates the suitability of remuneration levels and systems and reports to and submits information to the Board of Directors to enhance the objectivity and transparency of the officer remuneration determination process.

(3) Matters relating to outside officers

a) Main concurrent positions and relationship with the Company

Status	Name	Significant concurrent positions outside the Company	Special Relationship with the Company
Outside Director	Yasuo Nishiguchi	Socionext Inc. Chairman & CEO	No special relationship
		HANDY Inc. President	No special relationship
		SOLE Inc. Chairman	No special relationship
		Zensho Holdings Co., Ltd. Outside Director	No special relationship
		Yushin Precision Equipment Co., Ltd. Outside Director	The Company sells products to and engages in other transactions with Yushin Precision Equipment.
Outside Director	Hidenori Nishi	KAGOME CO., LTD. Chairman	No special relationship
		Dynapac Co., Ltd. Outside Director	No special relationship
		Japan Tomato Processors Association Chairman	No special relationship
		Japan Cannery Association Chairman	No special relationship
External Audit & Supervisory Board Member	Toshio Takano	External Audit & Supervisory Board Member of GLOBERIDE, Inc.	The Company sells products to and engages in other transactions with GLOBERIDE, Inc.
		Corporate Auditor of Kakaku.com, Inc.	No special relationship
		External Corporate Auditor of Daicel Corporation	The Company sells products to and engages in other transactions with Daicel Corporation.
		Audit & Supervisory Board Member of FANCL CORPORATION	No special relationship

b) Relationships with main trading partners and other special-interest businesses

No applicable information.

c) Main business activities during the fiscal year

Status	Name	Main Business Activities
Outside Director	Yasuo Nishiguchi	Attended 12 of 14 Board of Directors meetings held during the business year (attendance rate: 86%) and presented opinions, gave advice, and made other statements as appropriate from a perspective of familiarity with technology management.
	Hidenori Nishi	Attended 14 of 14 Board of Directors meetings held during the business year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a perspective of familiarity with industry.
External Audit & Supervisory Board Member	Hideo Yamashita	Attended 14 of 14 Board of Directors meetings held during the business year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate based on broad insight by making use of many years of overseas experience in financial institutions.
	Toshio Takano	Attended 13 of 14 Board of Directors meetings held during the business year (attendance rate: 93%) and all 14 meetings of the Audit & Supervisory Board held during the business year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a professional perspective as an attorney.

Note: The number of Board of Directors meetings indicated above does not include resolutions adopted in writing.

## 5. Accounting Auditor

### (1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### (2) Summary of Liability Limiting Agreement

The Company has not entered into a liability limiting agreement specified in Article 423, Paragraph 1 of the Companies Act with its accounting auditor.

### (3) Amount of remuneration paid to Accounting Auditor during the fiscal year

	Amount of remuneration (million yen)
Amount of remuneration, etc. paid by the Company to accounting auditor in relation to business specified in Article 2, Paragraph 1 of the Certified Public Accountants Act	95
Amount of remuneration, etc. paid by the Company to accounting auditor in relation to business other than that specified above	2
Total remuneration, etc. paid by the Company and its consolidated subsidiaries to accounting auditor	144

#### Notes:

1. The accounting agreement between the Company and the accounting auditor does not distinguish between audit remuneration for audits performed pursuant to the Companies Act and audits performed pursuant to the Financial Instruments and Exchange Act and remuneration cannot practically be categorized in this manner, and accordingly, the total amount is reported as remuneration, etc. paid to the accounting auditor during the business year.

2. The Audit & Supervisory Board receives materials necessary for investigating the amount of the accounting auditor's remuneration from relevant internal divisions, directors, Accounting Auditor, and so on, receives explanations from the accounting auditor of a summary of the accounting plan for the relevant fiscal year, audit times for each audit item, and so on, and based on the results of its confirmation of the audit plans for prior years and implementation of those plans determined that the remuneration, etc. paid to the accounting auditor is appropriate and gave its consent pursuant to Article 399, Paragraph 1 of the Companies Act.

### (4) Details of duties other than audits

Non-audit services includes the submission of comfort letters in relation to the issuance of corporate bonds and other services.

### (5) Status of audits of financial statements of the Company's main subsidiaries by Certified Public Accountants or Audit Firms other than the Company's Accounting Auditor



Of the Company's primary subsidiaries, four overseas subsidiaries including Nagase (Hong Kong) Ltd. and Nagase (Thailand) Co., Ltd. were audited by certified public accountants or an audit firm (including persons with corresponding qualifications in a foreign country) other than the Company's accounting auditor.

(6) Policy on determination to dismiss or not to reappoint Accounting Auditor

In addition to dismissal of the accounting auditor by the Audit & Supervisory Board as specified in Article 340 of the Companies Act, if the Company determines that it would be difficult for the accounting auditor to properly perform its duties because of a violation of laws and regulations by the accounting auditor, the occurrence of events that impair the accounting auditor's qualifications or independence, and so on or if the Company determines that changing the accounting auditor would be suitable for enhancing the appropriateness of audits, the Company's policy is to propose at the Shareholders Meeting to dismiss or not to reappoint the accounting auditor.

(7) Matters relating to orders for suspension of operations received by the Accounting Auditor in the past two years

Details of order for suspension of operations issued by the Financial Services Agency on December 22, 2015

a) Subject of penalty

Ernst & Young ShinNihon LLC

b) Details of penalty

Prohibition of conducting business in relation to new agreements executed during the three months from January 1 to March 31, 2016

c) Reasons for the penalty

False statements made through the negligence of employees

Substantial impropriety in accounting audit operations

## 6. Company systems and policies

### (1) Systems for Ensuring the Proper Implementation of Business and Status of Operation of those Systems

Summary of resolution on systems for ensuring the proper implementation of business (internal control systems)

The Company's Board of Directors adopted a resolution on basic policy for creating internal control systems entitled "Creation of Systems to Ensure that Directors Perform their Duties in Accordance with Laws and Regulations and the Articles of Incorporation and Other Systems Specified by Ministry of Justice Ordinance Necessary for Ensuring the Proper Implementation of Business by a Stock Corporation and the Corporate Group Comprising that Corporation and its Subsidiaries." Details of the policy are set forth below. Based on this basic policy, the Company will ensure the appropriateness of its business operations and conduct ongoing reviews and continuous improvement in order to appropriately reinforce governance systems even further in light of changes in the Company's business environment.

#### a) Systems to Ensure that Directors and Employees Perform their Duties in Accordance with Laws and Regulations and the Articles of Incorporation

Based on its long-standing management principle of "recognizing that the Company is a member of society and acting in good faith," the Company established a Risk and Compliance Committee, established a Compliance Basic Policy, and created systems for ensuring that all officers and employees including those of Group companies conduct corporate activities in accordance with the Nagase Group Compliance Code of Conduct in order to create and maintain compliance systems. The Risk and Compliance Committee is made up of multiple directors and employees, and the members make all determinations relating to risk management and compliance in accordance with their consciences. When necessary, the Committee engages outside experts and works to prevent violations of laws and regulations and the Articles of Incorporation. If an employee becomes aware of a problem such as a legal violation within the Company or a Group company, the employee immediately reports to and consults with a supervisor or the relevant division and then reports to the Risk and Compliance Committee, and the Committee immediately reports to the Board of Directors and the Audit & Supervisory Board and its members. In addition, a hotline has been created under the internal reporting system to enable officers and employees including those of Group companies to directly report and consult. Furthermore, awareness regarding legal compliance among officers and employees including those of Group companies is raised by conducting courses taught by outside experts and through other means, and efforts are made to disseminate information regarding management principles.

#### b) Systems for retaining and managing information relating to the performance of duties by directors

Information relating to the performance of duties by directors is recorded on paper or electromagnetically in accordance with internal rules and is retained and managed. Directors and Audit & Supervisory Board members can access and view these documents at any time.

#### c) Rules relating to management of loss-related risks and other systems

The Board of Directors established the Risk and Compliance Committee as the organization that performs comprehensive management relating to loss-related risks for the Company and Group companies, determined the committee's responsibilities and authority, and created a system that clarifies its roles and responsibilities. Under this system, each responsible division establishes rules and guidelines, conducts training, prepares and distributes manuals, and takes other measures concerning individual risks relating to the business activities of the Company and Group companies. When new risks arise, the responsible division is promptly designated, and when an incident occurs within the Group, information is promptly and appropriately conveyed and emergency procedures are implemented as necessary.

d) Systems for ensuring the efficient execution of duties by directors

The Board of Directors is clearly positioned as the decision-making body regarding management policies and strategies and the body that oversees the execution of business operations as the foundation for ensuring that directors efficiently perform their duties. The Board of Directors holds regular monthly meetings as well as extraordinary meetings when necessary. With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties, their responsibilities, and procedures for carrying out those responsibilities.

e) Systems for ensuring the proper conduct of business by the corporate group comprising a stock company and its subsidiaries

In principle, the Company dispatches officers to Group companies and ensures the proper conduct of business by those companies by establishing operational standards and establishing a system that requires approval from or reporting to the Company before Group companies make decisions on certain matters. Under the medium-term management plan and a system of annual budgets, clear targets are set and budget and results management is performed for the Company and each Group company. In order to enhance the reliability of financial reports, the status of internal controls companywide as well as the process for preparing financial statements have been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.

The Company performs Group-wide risk management with the Risk and Compliance Committee mentioned above playing a central role. Important matters relating to Group-wide compliance are discussed and decisions are made based on deliberations and determinations regarding issues relating to implementation and countermeasures addressing those issues.

f) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the performance of their duties

Upon request from Audit & Supervisory Board members, in order to ensure the effectiveness of audits performed by those members, the Company appoints employees to assist those members in the performance of their duties. Such employees are assigned to the Audit Office.

g) Matters pertaining to ensuring the independence of employees specified in the preceding item from directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members

In order to ensure the independence of the employees specified in the preceding paragraph from the directors, when such employees are transferred, evaluations are conducted, and so on, prior consultations are conducted with Audit & Supervisory Board members and their opinions are sought. In addition, efforts are made to ensure the effectiveness of instructions to such employees, adequately taking into consideration the selection of such employees and the period for which they will work supporting the performance of duties by Audit & Supervisory Board members.

h) Systems for directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, exchange opinions with managers, review requests for decisions, reports, and so on so that they can understand the status of operations of the Company and Group companies at all times. Furthermore, the directors, employees, and so on of the Company and Group companies can report to Audit & Supervisory Board and its members regarding the following matters individually or through the Risk Compliance Committee or the Board of Directors as necessary.

i. Improper conduct, violations of laws and regulations or the Articles of Incorporation, or other compliance-related issues regarding the performance of duties by directors;

ii. Facts that pose a risk of substantial harm to the Company;

iii. Disclosure of material information; and

iv. Facts reported to internal reporting systems and other matters.

Detrimental treatment of persons who make reports is prohibited in cases where a report is made by a Company director or employee directly to a Company Audit & Supervisory Board member. This information is distributed throughout the Group and is clearly stated within internal reporting systems.

i) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members

In order to raise awareness and understanding of the importance and usefulness of audits by Audit & Supervisory Board members, the president holds periodic meetings for the exchange of opinions with Audit & Supervisory Board members. There are also systems that allow for close collaboration and mutual support among the accounting auditor, Audit Office, and Audit & Supervisory Board members of affiliated companies so that Audit & Supervisory Board members can efficiently and effectively perform audit operations. When advice is sought from attorneys, certified public accountants, and other outside professionals or expenses are requested for outsourcing investigations, appraisals, or other administrative tasks so that the Audit & Supervisory Board or its members can perform audits, the Company may not refuse such requests except when the expenses relating to a request are not necessary for the performance of duties by the Audit & Supervisory Board or its members.

## Overview of the Status of Implementation of Systems for Ensuring Proper Implementation of Business

An overview of the status of implementation of systems for ensuring the proper implementation of business is set forth below.

a) Systems to ensure that directors and employees perform their duties in accordance with laws and regulations and the Articles of Incorporation

The Company established a Basic Compliance Policy setting forth a code of conduct with which all officers and employees must comply, conducts all business activities in accordance with the Nagase Group Compliance Code of Conduct, and complies with laws and regulations and the Articles of Incorporation.

In addition, a hotline has been created and is appropriately operated under the internal reporting system to enable officers and employees including those of Group companies to directly report and consult.

Courses and other programs contributing to legal compliance are conducted as necessary for officers and employees including the officers and employees of Group companies.

b) Systems for retaining and managing information relating to the performance of duties by directors

Board of Directors meeting minutes, Shareholders Meeting minutes, requests for decisions, and other documents are managed by the respective responsible divisions, and a system is in place that allows directors and Audit & Supervisory Board members to view them at any time.

c) Rules relating to management of loss-related risks and other systems

With regard to organizations that perform comprehensive management of loss-related risks, the Risk and Compliance Committee was established and in principle meets twice annually. The Risk and Compliance Committee was established to create and maintain compliance systems in accordance with the management principle of “recognizing that the Company is a member of society and acting in good faith,” and a system has been established to define the functions and authority of the Committee and clarify its roles and responsibilities. Under this system, each responsible division responds to individual risks relating to the business activities of the Company and each Group company, and when new risks arise, the responsible division is promptly designated, and when an incident occurs within the Group, information is promptly and appropriately conveyed and emergency measures are implemented as necessary.

d) Systems for ensuring the efficient execution of duties by directors

The Board of Directors is positioned as the decision-making body regarding management policies and strategies and the body that oversees the execution of business operations. The Board of Directors holds regular monthly meetings and meets a total of 14 times annually (not including resolutions approved in writing). With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties and their responsibilities, and business is efficiently executed in accordance with those rules.

e) Systems for ensuring the proper conduct of business by the corporate Group comprising a stock company and its subsidiaries

Operational standards have been established between the Company and its Group companies, and a system has been established that requires approval from a reporting to the Company before Group companies make decisions on certain matters. In addition, decision-making authority and responsibilities are clarified by the operational standards and the Company dispatches officers to Group companies to ensure the proper and efficient conduct of business. Under the medium-term management plan and a system of annual budgets, clear targets are set and budget and results management is performed for the Company and each Group company. Furthermore, the status

of internal controls Companywide as well as the process for preparing financial statements have been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.

The Company also performs Group-wide risk management using risk management tables, and important matters relating to Group-wide compliance are discussed and decisions are made based on deliberations and determinations regarding issues relating to implementation and countermeasures addressing those issues.

f) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the performance of their duties

In order to ensure the effectiveness of audits performed by Audit & Supervisory Board members, the Company has appointed two employees to from Audit Office, the internal audit department.

g) Matters pertaining to ensuring the independence of employees specified in the preceding item from directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members

In order to ensure the independence of the employees specified in the preceding paragraph from the directors, when such employees are transferred, evaluations are conducted, and so on, prior consultations are conducted with Audit & Supervisory Board members and their opinions are sought. In addition, efforts are made to ensure the effectiveness of instructions to such employees, adequately taking into consideration the selection of such employees and the period for which they will work supporting the performance of duties by Audit & Supervisory Board members.

h) Systems for directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members

By creating a system that enables Audit & Supervisory Board members to review requests for decision, reports, and so on while attending meetings of the Board of Directors and other important meetings, and conducting discussions with managers, systems have been established to enable them to understand the overall status of operations of the Company and Group companies. Furthermore, the directors, employees, and so on of the Company and Group companies can report to Audit & Supervisory Board and its members regarding the matters specified above in h) (i) to (iv), Systems to Ensure that Directors and Employees Perform their Duties in Accordance with Laws and Regulations and the Articles of Incorporation, individually or through the Risk Compliance Committee or the Board of Directors as necessary. Detrimental treatment of persons who make reports is prohibited in cases where a report is made by a Company director or employee directly to a Company Audit & Supervisory Board member. This information is distributed throughout the Group and is clearly stated within the Compliance Consultation Hotline Rules that have been established.

i) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members

Audit & Supervisory Board members meet with the president, the accounting auditor, employees from the Audit office, and Audit & Supervisory Board members of affiliated companies, and systems are in place for the efficient and effective performance of audit operations. When advice is sought from attorneys, certified public accountants, and other outside professionals or expenses are requested for outsourcing investigations, appraisals, or other administrative tasks so that Audit & Supervisory Board or its members can perform audits, requests may be made to the Company except when the expenses relating to a request are not necessary for the performance of duties by Audit & Supervisory Board or its members.

In principle, Audit & Supervisory Board creates budgets in accordance with annual audit plans and submits requests to the Company.

## (2) Basic Policy on the Ideal Status of Persons with Control over Decision-making Regarding the Company's Financial and Business Policies

### a) Details of Basic Policy

Since the Company is listed, its shareholders are in principle determined through free trading of shares, and the Company believes that the final decision on whether a proposal for large-scale purchasing conduct that involves a transfer of control over the Company will be agreed to should be made according to the intent of individual shareholders. It is from this perspective that the Company believes that enhancing the corporate value of the Company is the Company's duty, and determination of who will control the Company's policies on finance and business should not be determined by the Company.

The Company believes, however, that occasionally situations arise in the market whereby the value of the Company, which makes good-faith efforts to enhance its corporate value, is not properly assessed. Some large-scale purchase conduct involving the Company's shares may seek to capitalize on the situation and based on its objectives, may seek only short-term gains at the expense of the Company's corporate value and the common interests of its shareholders.

The Company believes that persons who conduct such large-scale purchase conduct that would harm the corporate value of the Company and the common interests of its shareholders are not appropriate as persons who control determination of the Company's policies on finances and business.

### b) Structures that contribute to carrying out the basic policy

In order to carry out the above basic policy, the Company has continued the policies of the Change-S2014 three-year, medium-term management plan that was launched in April 2012 and achieved increases in corporate value in accordance with the long-term business policy based on undertaking challenges for growth and reinforce the management platform that supports growth. Change-S2014 is positioned to accelerate change, and its fundamental strategy is to achieve sustainable growth by facilitating improvements in the quality of business and management and stepping up the overall capabilities of the Nagase Group in the value chain in priority fields in order to provide original solutions globally. In each business segment, the Company is facilitating change with "promoting globalization" and "creating high added-value business" as the key concepts. The Company has sought to reinforce and create business that makes use of the Group's characteristics in priority fields relating to biology, the environment and energy, and electronics by combining the Group's technological foundations. The Company has also worked to reinforce its operational foundations so that it can respond to changes in the external environment and to deepening of the Group's business structures.

A new medium-term business plan entitled "**ACE-2020**" was launched in April 2016 ("**ACE**" stands for Accountability, Commitment, and Efficiency). Under the **ACE-2020** Mid-Term Management Plan, we will shift from trading-company oriented thinking to viewing a trading-company as one group function; make maximum use of manufacturing, research, overseas networks, logistics, and investment; and strive to work together as a unified group to create and provide new value to the world. The essentials of the **ACE-2020** Mid-Term Management Plan are two reforms comprised of reform of the profit structure and reform of the corporate culture. The prioritized measures for reforming the profit structure will be to optimize the portfolio and expand and strengthen revenue base. The prioritized measures for reforming the corporate culture will be to comprehensively develop mindsets and strengthen management platform. Growth investment as a means of increasing earnings will be set at 100 billion yen, and funds exceeding cash flows from business activities will be procured primarily through interest-bearing bonds, while increased efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

As discussed above, we will elevate management efficiency and transparency while building harmonious relationships with shareholders, customers, trading partners, employees, regional communities, and other stakeholders in order to move toward an improvement of our corporate value.

c) Measures to prevent control of the Company's financial and business policies by a person who is inappropriate in light of the basic policy

A response policy concerning large-scale purchase conduct regarding the Company's shares (takeover defense measures) (referred to as the "Plan") was renewed pursuant to a resolution of the Board of Directors adopted at a meeting held on May 20, 2013 and a resolution of the 98th Annual Shareholders Meeting held on June 26, 2013, as a means of preventing control of the Company's financial and business policies by a person who is inappropriate in light of the basic policy discussed above. The effective term of the Plan is until the conclusion of the Company's Annual Shareholders Meeting to be held in 2016.

In the case where large-scale purchase conduct is conducted, under the Plan, the large-scale purchaser is requested to submit information regarding the large-scale purchase conduct in advance, and the Company will secure a period to gather information and investigate the large-scale purchase conduct and for management to present a plan or alternative proposal to the shareholders, conduct negotiations with the large-scale purchaser, and take other measures with the aim of securing and enhancing the Company's corporate value and the common interests of its shareholders.

If the large-scale purchaser does not follow those procedures, defensive measures (allotment of share options without contribution) can be taken upon approval by the Board of Directors or the general Shareholders Meeting. If those defensive measures are initiated, it is possible that a large-scale purchaser who does not comply with the procedures will incur some detriment including economic losses as a result. On the other hand, if the large-scale purchaser does follow the procedures, defensive measures shall in principle not be implemented, but if a determination is made that the large-scale purchase conduct is contrary to securing and enhancing the Company's corporate value and the common interests of its shareholders, the defensive measures (allotment of share options without contribution) may be implemented.

For the specific details of the Plan, please refer to the May 20, 2013 news release entitled "Response Policy Concerning Large-Scale Purchase Conduct regarding the Company's Shares (Takeover Defense Measures)" (<http://www.nagase.co.jp/assetfiles/tekijikaiji/20130520.pdf>).

Note: Prior to expiration of the Plan's effective term, on May 23, 2016, the Board of Directors adopted a resolution to partially revise the details of the Plan and to renew the basic policy concerning large-scale purchase conduct regarding the Company's shares subject to the approval of shareholders at this Annual Shareholders Meeting.

For details, please refer to the Proposed Resolution 5: Renewal of Response Policy Concerning Large-Scale Purchase Conduct regarding the Company's Shares (Takeover Defense Measures) (see page 13).

d) Decisions of the Board of Directors concerning specific measures and reasons for those decisions

The Company's long-term business policy, Change-S2014, and **ACE-2020** discussed in b) above were adopted as specific policies for continuously and sustainably enhancing the Company's corporate value and the common interests of its shareholders and are not intended to maintain the positions of the Company's officers.

The Plan discussed in c) above was introduced as a means of preventing control of the Company's financial and business policies by a person who is inappropriate in light of the Company's basic policy for the purpose of securing and enhancing the Company's corporate value and the common interests of its shareholders. In addition, an independent committee will be established as an advisory body to eliminate any arbitrary decisions by the Board of Directors and to ensure that objective and practical decisions are made on behalf of shareholders with regard to the implementation of defensive measures. The decisions of the Board of Directors will give maximum deference to the recommendations of the independent committee, and when defensive measures are implemented, the intent of shareholders may be confirmed depending on the circumstances, and those decisions are not intended to maintain the positions of the Company's officers.



### (3) Policy on Decisions concerning Distribution of Surplus

The Company's basic policy is to continuously pay stable dividends to shareholders based on consolidated financial results while raising earnings capacity and further reinforcing the Company's business structures, and the Company works to raise the payout ratio per share, taking into consideration the consolidated payout ratio and the ratio of dividends to consolidated net assets. The Company will also effectively use internal reserves of funds for future business activities and to reinforce the management platform.

Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2016)

(Amount less than 1 million yen is rounded down)

ASSETS	(million yen)
Current assets	312,334
Cash and time deposits	43,283
Notes and accounts receivable	196,335
Merchandise and finished goods	57,404
Work in process	1,726
Raw materials and supplies	3,789
Deferred tax assets	2,842
Other	7,843
Less allowance for doubtful accounts	(890)
Non-current assets	199,747
Property, plant and equipment	66,474
Buildings and structures	25,816
Machinery, equipment and vehicles	15,414
Land	18,910
Other	6,333
Intangible fixed assets	44,516
Goodwill	24,582
Technology-based assets	15,366
Other	4,567
Investments and other assets	88,755
Investments in securities	81,345
Long-term loans receivable	1,023
Deferred tax assets	1,544
Other	5,017
Less allowance for doubtful accounts	(174)
<b>Total assets</b>	<b>512,081</b>

LIABILITIES	(million yen)
Current liabilities	156,118
Notes and accounts payable	97,800
Short-term loans	25,294
Current portion of long-term loans	8,823
Accrued income taxes	4,305
Deferred tax liabilities	13
Accrued bonuses for employees	4,224
Accrued bonuses for directors	194
Other	15,461
Long-term liabilities	76,813
Bonds	30,000
Long-term loans	23,108
Deferred tax liabilities	8,433
Net defined benefit liability	14,060
Other	1,211
<b>Total liabilities</b>	<b>232,932</b>
<b>NET ASSETS</b>	
Shareholders' equity	234,657
Common stock	9,699
Capital surplus	11,615
Retained earnings	213,572
Less treasury stock, at cost	(230)
Accumulated other comprehensive income (loss)	39,305
Net unrealized holding gain on securities	37,074
Deferred (loss) gain on hedges	(9)
Translation adjustments	4,411
Remeasurements of defined benefit plans	(2,169)
Non-controlling interests	5,185
<b>Total net assets</b>	<b>279,149</b>
<b>Liabilities and net assets</b>	<b>512,081</b>

Consolidated Statements of Income (April 1, 2015 – March 31, 2016) (Amount less than 1 million yen is rounded down)

	Amount	
	(million yen)	(million yen)
Net sales		742,194
Cost of sales		650,530
Gross profit		91,663
Selling, general and administrative expenses		73,639
Operating income		18,024
Non-operating income		
Interest income	202	
Dividend income	1,360	
Rent income	293	
Other	643	2,499
Non-operating expenses		
Interest expenses	1,048	
Equity in losses of affiliates	48	
Foreign exchange losses	401	
Other	635	2,133
Ordinary income		18,390
Extraordinary gains		
Gain on sale of non-current assets	57	
Gain on sale of investment securities	70	
Gain on sales of shares of subsidiaries and affiliates	33	161
Extraordinary losses		
Loss on sale of non-current assets	47	
Loss on disposal of non-current assets	251	
Impairment loss	2,756	
Loss on sale of investment securities	9	
Loss on valuation of investment securities	70	
Other	177	3,313
Income before income taxes and non-controlling interests		15,239
Income taxes - current	6,536	
Income taxes - deferred	(3,763)	2,772
Net income		12,466
Profit attributable to non-controlling interests		150
Profit attributable to owners of parent		12,316

Consolidated Statement of Change in Net Assets (April 1, 2015 – March 31, 2016)

(Amount less than 1 million yen is rounded down)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Less treasury stock, at cost	Total shareholders' equity
Balance, beginning of period	9,699	11,654	205,203	(228)	226,328
Changes					
Cash dividends			(3,937)		(3,937)
Profit attributable to owners of parent			12,316		12,316
Purchase of treasury stock				(1)	(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(38)			(38)
Changes in scope of consolidation			(9)		(9)
Changes other than shareholders' equity accounts (net)					
Total changes	-	(38)	8,368	(1)	8,328
Balance, end of period	9,699	11,615	213,572	(230)	234,657

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance, beginning of period	44,920	3	9,478	666	55,069	6,102	287,500
Changes							
Cash dividends							(3,937)
Profit attributable to owners of parent							12,316
Purchase of treasury stock							(1)
Change in treasury shares of parent arising from transactions with non-controlling shareholders							(38)
Changes in scope of consolidation							(9)
Changes other than shareholders' equity accounts (net)	(7,845)	(13)	(5,067)	(2,835)	(15,763)	(916)	(16,679)
Total changes	(7,845)	(13)	(5,067)	(2,835)	(15,763)	(916)	(8,351)
Balance, end of period	37,074	(9)	4,411	(2,169)	39,305	5,185	279,149

## Non-Consolidated Balance Sheets (As of March 31, 2016)

(Amount less than 1 million yen is rounded down)

	Amount
ASSETS	(million yen)
<b>Current assets</b>	<b>197,527</b>
Cash and time deposits	23,247
Notes receivable - trade	5,066
Electronically recorded monetary claims - operating	7,206
Accounts receivable	127,460
Merchandise	17,635
Goods in transit	1,538
Advance payments - trade	40
Deferred tax assets	934
Short-term loans receivable from subsidiaries and associates	13,214
Other	4,074
Allowance for doubtful accounts	(2,892)
<b>Non-current assets</b>	<b>171,158</b>
Property, plant and equipment	16,235
Buildings	4,732
Structures	920
Machinery and equipment	385
Vehicles	0
Tools, furniture and fixtures	1,213
Land	8,779
Leased assets	171
Construction in progress	32
Intangible assets	2,345
Goodwill	94
Software	991
Software in progress	1,193
Other	64
Investments and other assets	152,578
Investment securities	70,014
Shares of subsidiaries and associates	36,742
Investments in capital of subsidiaries and associates	4,729
Long-term loans receivable from subsidiaries and associates	45,637
Claims provable in bankruptcy, claims provable in rehabilitation and other	70
Other	475
Allowance for doubtful accounts	(5,090)
<b>Deferred assets</b>	<b>80</b>
Bond issuance cost	80
<b>Total assets</b>	<b>368,766</b>

	Amount
<b>LIABILITY</b>	(million yen)
<b>Current liabilities</b>	<b>112,288</b>
Notes payable - trade	498
Electronically recorded obligations - operating	1,728
Accounts payable - trade	69,961
Short-term loans payable	6,083
Current portion of long-term loans payable	8,702
Lease obligations	12
Accounts payable - other	1,652
Accrued expenses	1,572
Income taxes payable	793
Advances received	131
Deposits received	19,327
Unearned revenue	35
Accrued bonuses for employees	1,355
Accrued bonuses for directors	74
Other	355
<b>Long-term liabilities</b>	<b>72,290</b>
Bond	30,000
Long-term loans payable	21,534
Lease obligations	150
Long-term accounts payable - other	208
Deferred tax liabilities	15,178
Provision for retirement benefits	5,143
Provision for loss on guarantees	75
<b>Total liabilities</b>	<b>184,579</b>
<b>NET ASSETS</b>	
<b>Shareholders' equity</b>	<b>147,345</b>
Common stock	9,699
Capital surplus	9,634
Legal capital surplus	9,634
Retained earnings	128,241
Legal retained earnings	2,424
Other retained earnings	125,816
Reserve for special depreciation	200
Reserve for reduction entry	2,916
General reserve	95,510
Retained earnings brought forward	27,189
Treasury shares	(230)
<b>Valuation and translation adjustments</b>	<b>36,841</b>
Valuation difference on available-for-sale securities	36,851
Deferred gains or losses on hedges	(9)
<b>Total net assets</b>	<b>184,187</b>
<b>Liabilities and net assets</b>	<b>368,766</b>



Non-Consolidated Statements of Income (April 1 2015 – March 31, 2016)

(Amount less than 1 million yen is rounded down)

	Amount	
	(Million yen)	(Million yen)
Net sales		425,605
Cost of sales		396,054
<b>Gross profit</b>		<b>29,550</b>
Selling, general and administrative expenses		26,333
<b>Operating income</b>		<b>3,217</b>
Non-operating income		
Interest income	674	
Dividend income	6,712	
Rent income	658	
Foreign exchange gains	246	
Other	762	9,053
Non-operating expenses		
Interest expenses	449	
Interest on bonds	168	
Amortization of bond issuance cost	25	
Cost of lease revenue	140	
Other	468	1,252
<b>Ordinary income</b>		<b>11,018</b>
Extraordinary income		
Gain on sales of non-current assets	0	
Gain on sales of investment securities	19	
Gain on sales of shares of subsidiaries and associates	20	39
Extraordinary losses		
Loss on sales of non-current assets	17	
Loss on disposal of non-current assets	113	
Loss on sales of investment securities	9	
Loss on valuation of investment securities	7	
Loss on valuation of investments in capital	41	
Loss on valuation of shares of subsidiaries and associates	1,090	
Provision of allowance for doubtful accounts for subsidiaries and associates	1,405	
Provision for loss on guarantees	75	2,759
<b>Income before income taxes</b>		<b>8,298</b>
Income taxes - current	1,534	
Income taxes - deferred	187	1,722
<b>Profit</b>		<b>6,576</b>

## Non-Consolidated Statement of Change in Net Assets (April 1 2015 – March 31, 2016)

(Amount less than 1 million yen is rounded down)

	Shareholders' equity								
	Common stock	Capital surplus		Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings				
					Reserve for special depreciation	Reserve for reduction entry	General reserve	Retained earnings brought forward	
Balance, beginning of period	9,699	9,634	9,634	2,424	387	2,879	95,510	24,401	125,602
Changes of items during period									
Reversal of reserve for special depreciation					(191)			191	-
Reversal of reserve for reduction entry						(34)		34	-
Adjustment to reserve due to change in tax rate					4	72		(76)	-
Dividends of surplus								(3,937)	(3,937)
Net income								6,576	6,576
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(187)	37	-	2,787	2,638
Balance at end of current period	9,699	9,634	9,634	2,424	200	2,916	95,510	27,189	128,241

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance, beginning of period	(228)	144,708	44,697	3	44,700	189,409
Changes of items during period						
Reversal of reserve for special depreciation		-				-
Reversal of reserve for reduction entry		-				-
Adjustment to reserve due to change in tax rate		-				-
Dividends of surplus		(3,937)				(3,937)
Net income		6,576				6,576
Purchase of treasury shares	(1)	(1)				(1)
Net changes of items other than shareholders' equity			(7,845)	(13)	(7,859)	(7,859)
Total changes of items during period	(1)	2,636	(7,845)	(13)	(7,859)	(5,222)
Balance, end of period	(230)	147,345	36,851	(9)	36,841	184,187

## NAGASE Management Philosophy

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

## NAGESE Vision

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

## NAGASE Group Slogan

Bringing it all together