

NAGASE

Annual Report 2015

Year ended March 31, 2015

NAGASE

NAGASE & CO.,LTD.

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

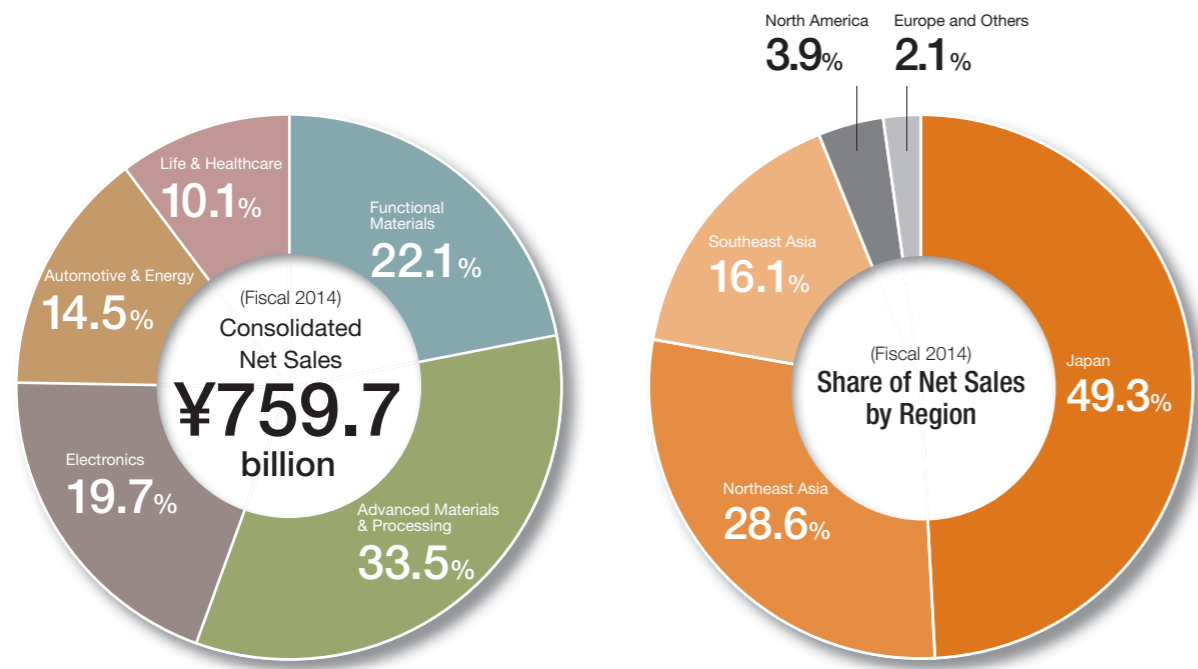
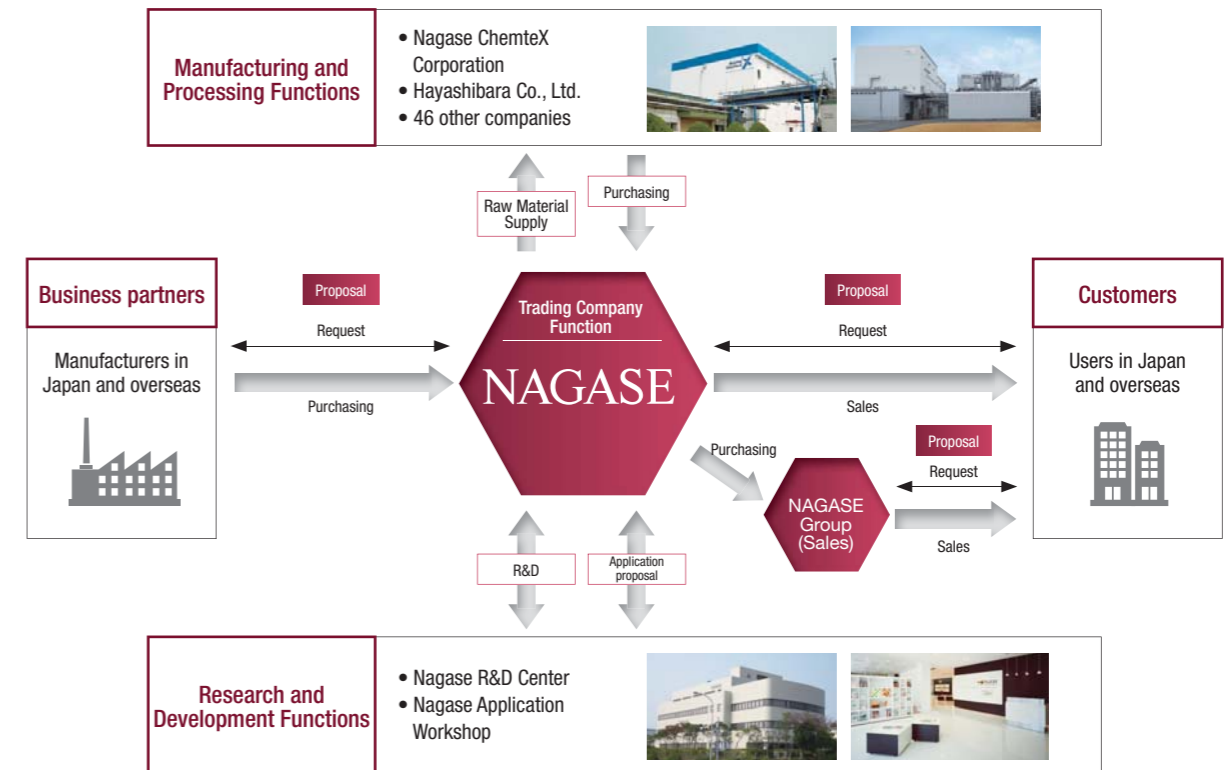
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The NAGASE Group creates value through manufacturing, processing, and R&D functions in the chemical value chain. These functions allow us to pursue unique business models beyond the traditional framework of the Japanese trading company.

Business Model



Unique Functions

1 Manufacturing and Processing

The NAGASE Group has captured a large share of the market for many niche products. We offer manufacturing services that meet needs not covered by the major manufacturers, and we source goods for our customers that can only be located via information captured through our trading company activities.

2 R&D

Information is an important tool in offering a consultative sales approach. We take information gathered through research and development activities and then work with our departments to propose new businesses and technological applications.

Typical Trading Company Functions

3 Trade

Our core trading company functions consist of leveraging supply/demand and information gaps to promote global trade in goods and services. In our trading company aspect, we provide (1) logistics (transport, customs, processing, warehousing); (2) financing (capital acquisition, management, settlements, foreign exchange); (3) insurance (maritime, import/export, fire); and (4) legal/screening services.

4 Information/Research, Market Development

We use our global network to collect and analyze information* from a wide range of global markets. In conducting our analysis, what we look for are gaps between supply and demand in a market. In this way, we are able to create a variety of new markets globally, introduce new technologies, find customers, and offer sales support for new products developed by business partners.

*Industrial/corporate information, advanced technology information, market/marketing information, regional information, legal/tax information, etc.

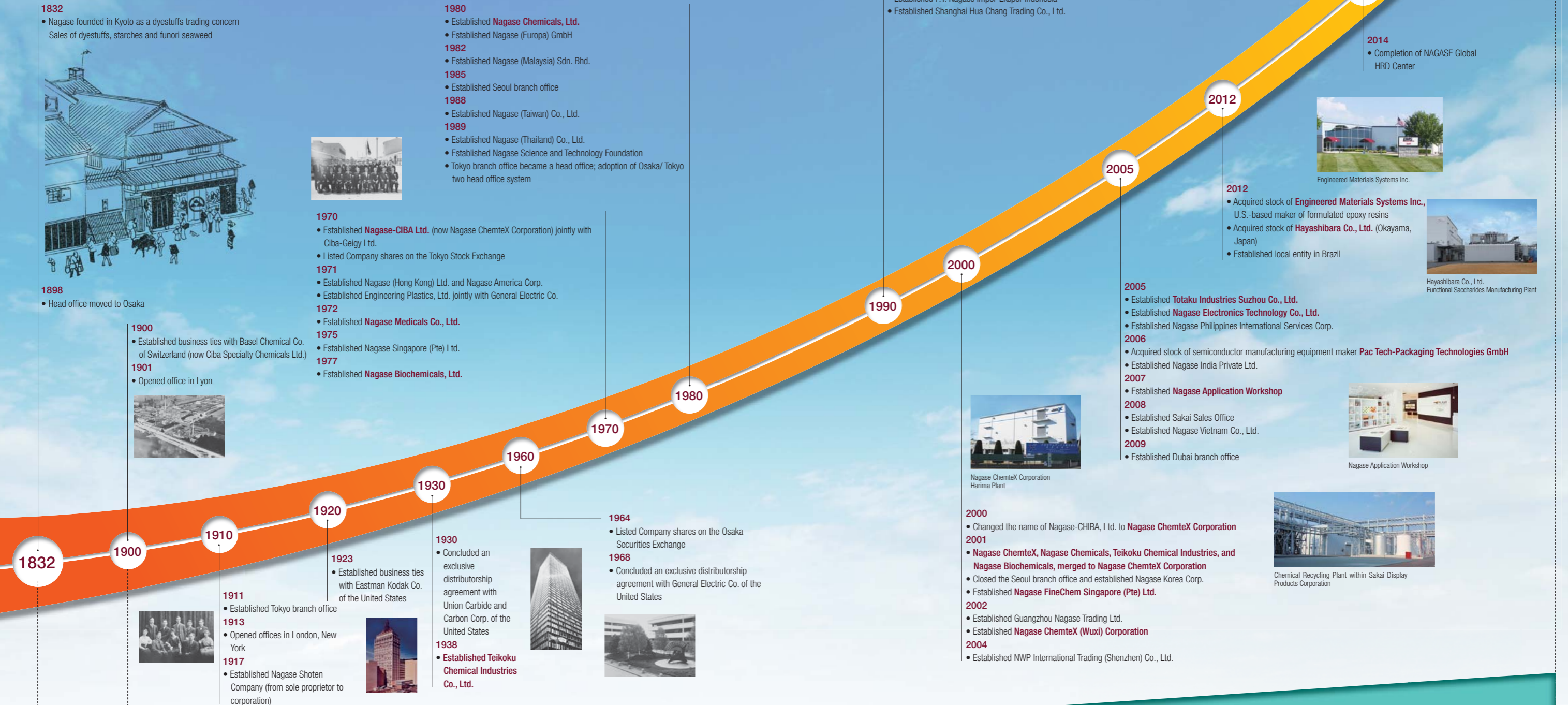
5 Financing

Trading companies offer a different kind of financing than traditional banking institutions. For example, trading companies can provide business partners with credit services and loan guarantees. Changes in the modern economic environment demand much more of trading companies in terms of financing complexity and diversity.



Our History - Evolving Business Model

NAGASE has been in business for 183 years. The NAGASE Group began as a specialized sales agent company representing the gold standard in the chemicals business, securing exclusive contracts to sell industry-leading products from around the world. Over the years, we have leveraged our technology and information gathering expertise—as well as our global network—to transform our business into a hybrid model offering superior manufacturing, processing, and R&D functions as well as trading company services. We will continue to Identify, Develop, and Expand solutions that contribute to the success of our customers.



Evolving Business Model

Founded as a dyestuffs wholesaler

Master Distributor License Business (revenue source: brokerage fees)

Trading Business + Manufacturing Company/Research and Development (revenue source: brokerage fees + high-value-added business creation)

Overseas Expansion (emerging from an export-only business model)

**NAGASE:
Past, Present, and Future**

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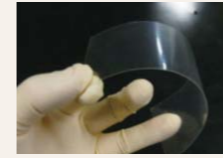
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**Major Production/ R&D
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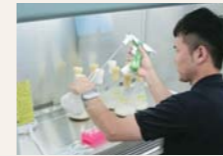
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Forward-Looking Statements

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



1. Hiroshi Nagase, Representative Director and Chairman
2. Reiji Nagase, Director and Vice Chairman
3. Kenji Asakura, Representative Director and President and CEO
4. Mitsuro Naba, Representative Director and Managing Executive Officer
5. Hiroshi Hanamoto, Director and Managing Executive Officer
6. Osamu Morishita, Director and Managing Executive Officer
7. Kohei Sato, Director and Executive Officer
8. Ichiro Wakabayashi, Director and Executive Officer
9. Yasuo Nishiguchi, Outside Director
10. Hidenori Nishi, Outside Director



Group Philosophy Structure



NAGASE Management Philosophy

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

NAGASE Vision

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

NAGASE Policy and Plan

Policy: Growth strategy, focus field, and framework of resource allocation

Management Plan: Quantitative goal and action plan

Maintain Good and Fair Business Practices

As we look to pursue an aggressive overseas strategy and new businesses throughout fiscal 2014, we have taken the time to redefine our Group vision for the future through a revised Group Philosophy structure.

Guided by our management philosophy of maintaining good and fair business practices, we have defined Identify, Develop and Expand as the Vision representing our strengths as a corporate group. Moving forward, the NAGASE Group will strive to become an organization that contributes to a sustainable world where people live with peace of mind. Each one of our directors and employees are fully committed to this mission, and we guarantee that we will not rest until we have accomplished our goals.

July 2015

The Directors of NAGASE & CO., LTD.

13-Year Financial Highlights

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

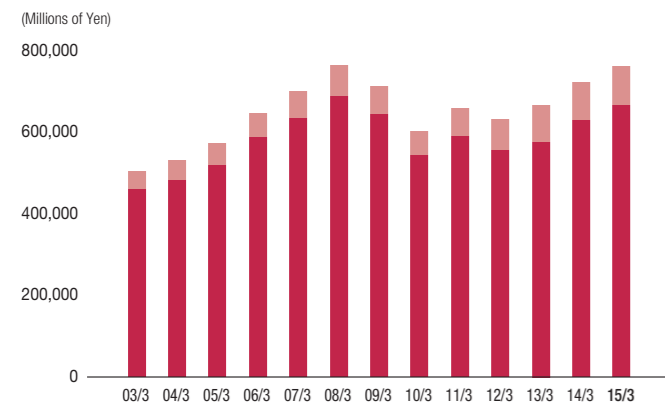
| | | (Millions of Yen) | | | | | | | | | | | | | (Millions of Yen) |
|---|---|--|-----------|----------------------------------|-----------|-----------|----------------------------------|-----------|-----------|---|-----------|-----------|----------------------------------|-----------|-------------------|
| | | 2003/3 | 2004/3 | 2005/3 | 2006/3 | 2007/3 | 2008/3 | 2009/3 | 2010/3 | 2011/3 | 2012/3 | 2013/3 | 2014/3 | 2015/3 | |
| | | WIT2000 (Reform) | | WIT21 (Promotion) | | | WIT2008 (Reinforcement) | | | "CHANGE"II (Improving quality of our business and operations) | | | Change-S2014 | | |
| | | Investment Amount: ¥20.2 billion (3 years) | | Investment Amount: ¥23.7 billion | | | Investment Amount: ¥27.7 billion | | | Investment Amount: ¥107.4 billion | | | Investment Amount: ¥41.1 billion | | |
| Performance (Accounting Fiscal Year) | | | | | | | | | | | | | | | |
| Net sales | | ¥ 503,688 | ¥ 533,301 | ¥ 575,636 | ¥ 648,023 | ¥ 701,321 | ¥ 764,755 | ¥715,238 | ¥ 603,949 | ¥ 660,213 | ¥ 631,854 | ¥ 666,272 | ¥ 723,212 | ¥ 759,713 | |
| Segments | Functional Materials (formerly Chemicals) | 223,656 | 231,360 | 251,725 | 222,282 | 247,094 | 267,836 | 248,461 | 237,124 | 253,290 | 177,126 | 167,017 | 169,973 | 168,238 | |
| | Advanced Materials & Processing (formerly Plastics) | 165,810 | 170,996 | 188,456 | 229,278 | 244,681 | 274,660 | 253,029 | 192,569 | 222,100 | 217,929 | 214,214 | 239,224 | 254,165 | |
| | Electronics | 99,759 | 118,978 | 122,632 | 132,086 | 150,796 | 163,833 | 153,255 | 117,591 | 133,640 | 110,495 | 125,014 | 137,026 | 149,947 | |
| | Automotive & Energy | — | — | — | — | — | — | — | — | — | 76,113 | 83,068 | 99,441 | 109,851 | |
| | Life & Healthcare (former Healthcare/Other) | 14,461 | 11,966 | 12,821 | 56,404 | 53,556 | 56,489 | 58,905 | 55,542 | 50,247 | 49,170 | 76,116 | 76,810 | 76,609 | |
| Other | — | — | — | 7,972 | 5,191 | 1,934 | 1,585 | 1,121 | 934 | 1,018 | 841 | 737 | 900 | | |
| Regions | Domestic | 337,531 | 349,557 | 363,708 | 388,470 | 410,789 | 432,813 | 394,874 | 360,382 | 389,379 | 366,369 | 361,971 | 372,939 | 374,208 | |
| | Overseas | 166,157 | 183,744 | 211,928 | 259,553 | 290,532 | 331,942 | 320,364 | 243,567 | 270,833 | 265,484 | 304,301 | 350,272 | 385,505 | |
| Gross Profit | | 51,899 | 53,494 | 61,960 | 67,640 | 73,639 | 80,506 | 71,527 | 65,415 | 73,008 | 71,628 | 82,583 | 88,936 | 91,991 | |
| Operating Income | | 8,433 | 10,244 | 13,256 | 17,596 | 21,669 | 23,063 | 12,522 | 13,128 | 18,732 | 13,427 | 15,578 | 15,789 | 18,153 | |
| Net Income (Loss) | | 4,186 | 7,010 | 10,384 | 12,892 | 13,567 | 10,005 | 5,808 | 7,537 | 12,823 | 8,570 | 14,182 | 11,663 | 11,318 | |
| Financial Condition: | | | | | | | | | | | | | | | |
| Total Assets | | ¥ 284,800 | ¥ 310,793 | ¥ 335,290 | ¥ 396,773 | ¥ 422,859 | ¥ 419,869 | ¥ 340,968 | ¥ 368,088 | ¥ 375,336 | ¥ 450,842 | ¥ 486,747 | ¥ 498,141 | ¥ 546,525 | |
| Equity Capital | | 140,944 | 156,210 | 167,092 | 196,620 | 205,083 | 200,554 | 184,599 | 195,344 | 201,516 | 204,706 | 228,505 | 246,723 | 281,398 | |
| Interest-Bearing Debt | | 16,578 | 16,417 | 14,019 | 24,834 | 20,491 | 33,342 | 31,340 | 21,886 | 27,125 | 88,710 | 98,425 | 92,828 | 98,493 | |
| Per Share Data: | | | | | | | | | | | | | | | |
| Net Income (Basic) | | ¥ 31.72 | ¥ 54.69 | ¥ 81.00 | ¥ 100.32 | ¥ 105.84 | ¥ 77.86 | ¥ 45.17 | ¥ 58.64 | ¥ 99.76 | ¥ 66.69 | ¥ 111.31 | ¥ 91.86 | ¥ 89.10 | |
| Net Assets | | 1,107.55 | 1,227.82 | 1,311.37 | 1,535.70 | 1,597.27 | 1,559.97 | 1,435.88 | 1,519.61 | 1,568.04 | 1,592.87 | 1,803.31 | 1,942.20 | 2,215.18 | |
| Cash Dividends | | 8.0 | 9.0 | 10.0 | 15.0 | 18.0 | 17.0 | 16.0 | 16.0 | 22.0 | 24.0 | 26.0 | 28.0 | 30.0 | |
| Payout Ratio (%) | | 24.3 | 16.3 | 12.3 | 14.9 | 17.0 | 21.8 | 35.4 | 27.3 | 22.1 | 36.0 | 23.4 | 30.5 | 33.7 | |
| Shareholders' Equity Dividend Rate (%) | | 0.71 | 0.77 | 0.79 | 1.06 | 1.15 | 1.08 | 1.07 | 1.08 | 1.42 | 1.52 | 1.52 | 1.50 | 1.44 | |
| Ratios: | | | | | | | | | | | | | | | |
| Overseas Sales to Net Sales | | 33.0 | 34.5 | 36.8 | 40.1 | 41.4 | 43.4 | 44.8 | 40.3 | 41.0 | 42.0 | 45.7 | 48.4 | 50.7 | |
| Manufacturing Ratio (Operating Income) | | 21.4 | 19.2 | 16.4 | 20.5 | 22.3 | 24.4 | 15.5 | 35.4 | 29.0 | 31.3 | 37.3 | 23.5 | 27.8 | |
| Operating Margin (Operating Income/Net Sales) | | 1.7 | 1.9 | 2.3 | 2.7 | 3.1 | 3.0 | 1.8 | 2.2 | 2.8 | 2.1 | 2.3 | 2.2 | 2.4 | |
| Return on Equity (ROE) | | 2.9 | 4.7 | 6.4 | 7.1 | 6.8 | 4.9 | 3.0 | 4.0 | 6.5 | 4.2 | 6.5 | 4.9 | 4.3 | |
| Net Worth Ratio | | 49.5 | 50.3 | 49.8 | 49.6 | 48.5 | 47.8 | 54.1 | 53.1 | 53.7 | 45.4 | 46.9 | 49.5 | 51.5 | |
| Debt Equity Ratio (Times) | | 0.12 | 0.11 | 0.08 | 0.13 | 0.10 | 0.17 | 0.17 | 0.11 | 0.13 | 0.43 | 0.43 | 0.38 | 0.35 | |

(Note 1) At the beginning of fiscal 2005, the Fine Chemicals Department (part of the Chemicals segment) was integrated with the Healthcare segment. The combined organization is now known as the Life Sciences segment.
 (Note 2) At the beginning of fiscal 2009, the Company moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Electronics segment to the Chemicals segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

(Note 3) At the beginning of fiscal 2012, the NAGASE Group reorganized its four business segments into five business segments (Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare) to more fully reflect the respective positions of each business in the value chain. For comparative purposes, fiscal 2011 figures have been calculated using the new business segments. The Colors & Imaging Department formerly under the Chemicals segment has been moved under the Advanced Materials & Processing segment. The Automotive & Energy segment was organized out of the Automotive Solutions Department (belonging to the Plastic segment) and the Energy Business Office, which was launched as an integrated entity from the Environment & Energy Office (under Other) and the Energy Device Office.
 (Note 4) At the beginning of fiscal 2013, the Automotive & Energy Segment was organized by combining the former Automotive Solutions Department (under the Plastics Segment) and the former Energy Business Office, which was an integrated entity combining the Environment & Energy Office (under the Other Segment) and the Energy Device Office.

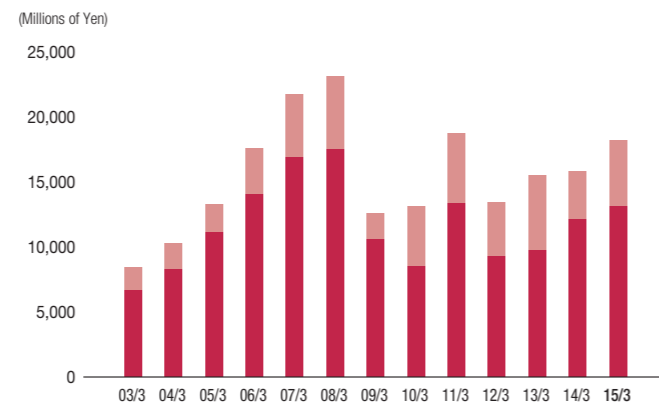
Net sales

■ Trading Business ■ Manufacturing Business



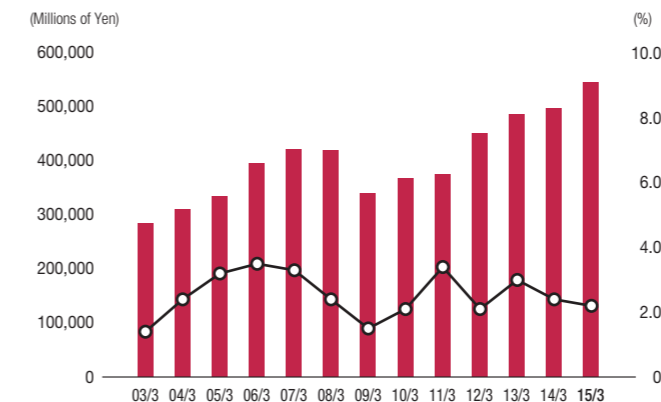
Operating Income

■ Trading Business ■ Manufacturing Business



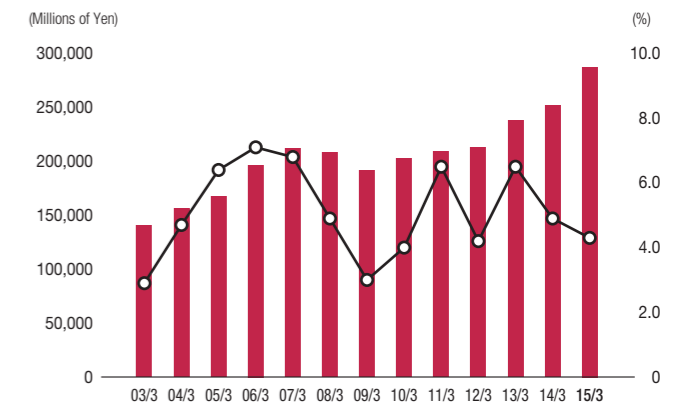
Total Assets/ROA

■ Total Assets (left axis) ○ ROA (right axis)



Net Assets/ROE

■ Net Assets (left axis) ○ ROE (right axis)



This year, we are taking a step through a new door toward the future of the NAGASE Group. Of course, the path itself is always marked by our belief in Good and Fair Business Practices.

I am both humbled and excited to take over the reins of the NAGASE Group. I believe we have much to look forward to as we improve as managers and find even greater heights of corporate value. Our outgoing president, Mr. Hiroshi Nagase, will continue on as chairman of the board. During his 16 years as president of Nagase, he led us through tremendously challenging times. The IT bubble, the Lehman Shock, the floods in Thailand, the financial crisis in the EU, the incredibly strong valuation of the yen, and the March 11 earthquake and tsunami in northeastern Japan. Through it all, Mr. Nagase steered a course to major acquisitions and a much-improved manufacturing base for our Group. He helped reinvent Nagase as a unique trading firm with a strong marketing presence around the world. We broke through organizational barriers and developed exciting cross-department products and services across the entire chemical value chain, setting us up to make another giant leap forward. But, we cannot deny that we became much more centralized as an organization. Our businesses became too dependent on headquarters to make decisions.

I see this change in leadership as an opportunity for us to pivot as a company. I believe that my mission leading up to our 200th anniversary in the year 2032 is to establish a modern NAGASE Group that still operates under Good and Fair Business Practices. The year 2015 will be a major step forward for us as we work to achieve full participation and front line focus.

President

Kenji Asakura



Kenji Asakura

December 11, 1955

Career:

April 1978 Joined NAGASE & CO., LTD.

October 2006 Named GM, Automotive Solutions Department

April 2009 Named Executive Officer GM, Automotive Solutions Department

June 2013 Named Director and Executive Officer Electronics Segment,

Automotive & Energy Segment, Nagoya Branch, America, Europe, South Korea

April 2015 Named Representative Director and President and CEO

A Look Back on Fiscal 2014

During fiscal 2014, the NAGASE Group recorded net sales of ¥759.713 billion, a 5% year-on-year improvement. Operating income was ¥18.153 billion (15% year-on-year gain), while net income fell 3% year on year to ¥11.318 billion.

With the exception of Europe, we saw sales gains in every region of the world. In northeastern Asia, plastics for smartphones, notebook PCs, and game devices, as well as automotive-related materials experienced particularly strong performance. In North America, we saw significantly higher revenues in automotive-related materials sales.

As a result, domestic net sales amounted to ¥374.208 billion, which was a 0.3% year-on-year increase. Overseas net sales came in a ¥385.505 billion, outperforming the prior year by 11%.

Exchange rates had a net-positive effect of ¥30 billion on our earnings, so we do not want to imply that we are satisfied with the performance of our businesses.

Our profit gains for the year were mainly due to higher gross profits and a reduction in retirement benefit costs. These factors offset lower profit ratios in our Electronics segment (product mix issues) and a reserve of ¥1.1 billion in bad debt related to the bankruptcy of a customer of our subsidiary in Taiwan.

Functional Materials

Net Sales ¥168.238 billion (-1.0%)

Operating Income ¥4.302 billion (-0.6%)

While our Performance Chemicals Department saw strong sales of urethane materials to the automobile and construction industries, business was slow for sales of paints for construction and building materials and other coating raw materials. In our Speciality Chemicals Department, we reported sluggish sales of raw materials and epoxy compound products for electronics materials; however, sales to metal working oils manufacturers in Japan and exports of sealants were strong.

Advanced Materials & Processing

Net Sales ¥254.165 billion (+6.2%)

Operating Income ¥4.804 billion (+29.6%)

Sales of plastics for office equipment and appliance industry in Japan and overseas performed well. At the same time, we also recorded solid results in growth for functional films and sheets and plastic materials for plastic moldings products, reflective materials for LCD TVs, conductive polymer materials. Fukui Yamada Chemical Co., Ltd. and Sofix Corp., two subsidiaries with leading positions in the color former markets*, successfully improved bottom-line earnings owing to cost reductions and more efficient manufacturing processes.

*Heat-sensitive dyes for printing on the de-facto thermal paper used for receipts at convenience stores, taxis, and other similar outlets

Electronics

Net Sales ¥149.947 billion (+9.4%)

Operating Income ¥5.583 billion (-13.0%)

The Electronic Chemicals Department reported overall favorable performance, despite some weakness in sales of formulated epoxy resins for the heavy and light electric machinery industries. This weakness was more than offset by strong sales of chemicals for the production of semiconductors and liquid crystal displays. However, our electronic materials business recorded lower operating income than in the prior fiscal year. Revenues from LED-related materials, glass-related sales, and touch-panel materials were strong, but these gains were not enough to overcome a significant reserve for bad debt at our Taiwanese subsidiary.

Automotive & Energy

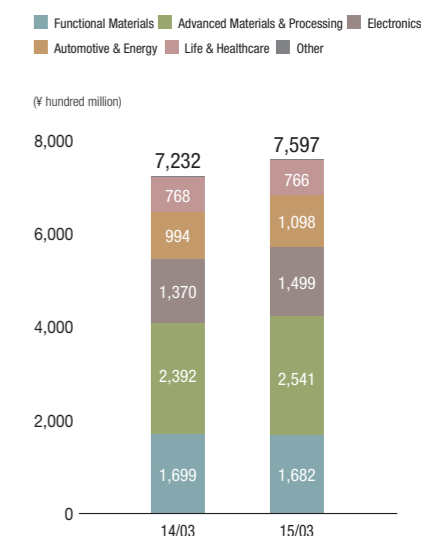
Net Sales ¥109.851 billion (+10.5%)

Operating Income ¥2.229 billion (+116.9%)

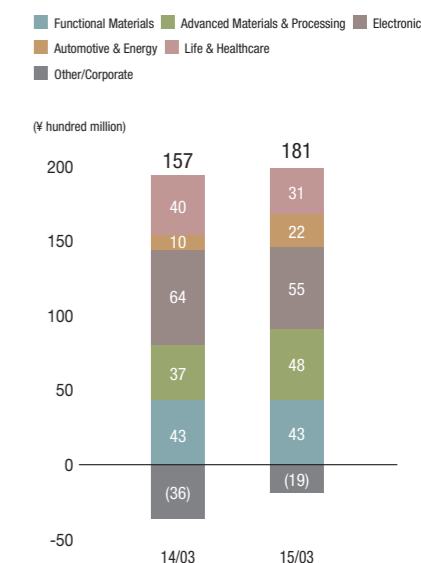
Our automobile-related business recorded higher year-on-year net sales as a whole. While auto sales declined in Japan due to higher consumption taxes and auto manu-

“ We recorded growth in this segment for every region other than Europe. Overseas sales now represents more than 50% of consolidated revenues ”

Net Sales by Segment



Operating Income by Segment



facturers in China made downward production adjustments, we successfully reorganized our sales structure in the strong North American market. At the same time, we extended our product lines, which also contributed to better performance. As a result, we saw higher net sales in Japan, China, and North America.

Life & Healthcare

Net Sales ¥76.609 billion

(-0.3%)

Operating Income ¥3.157 billion

(-21.1%)

The Life & Healthcare Products Department reported higher net sales in overseas markets, owing much to our new structure supporting sales of TREHA™ and other products outside Japan. Hayashibara will begin operations at a new plant during fiscal 2015. We expect this will add significantly to our production capacity. In our pharmaceuticals and medical business, we experienced higher sales of pharmaceuticals materials, despite declines in revenues from active pharmaceutical ingredients and pharmaceutical intermediates. Meanwhile, sales in our Beauty Care Products Department fell, experiencing the aftereffects of heavier purchasing during the prior fiscal year leading up to Japan's consumption tax increase.

Change-S2014 Results

We set three major goals under our **Change-S2014** business plan: (1) Speed Up. Accelerate the improving quality of our business and operations; (2) Step Up. Bring the total strength of the NAGASE Group to bear throughout the value chain in our strategic markets (Bio, Environment & Energy, Electronics); and (3) Sustainable Growth.

| Main Bio-Related Investments (three years) | | Investment Amount |
|--|---|-------------------|
| Hayashibara Co., Ltd. | Factory migration project, production function improvements | ¥8 billion |
| Nagase ChemteX Corporation | New enzymes facility and Kosher/Halal compliance | ¥2 billion |

Expand our unique solutions globally, creating sustained growth. Unfortunately, we significantly underperformed our numerical targets of delivering net sales of ¥800 billion, operating income of ¥30 billion, and ROE of 8%. The only goal we did achieve was that of investing at least ¥40 billion over the course of three years. Our major goals and results are as follows:

Businesses Utilizing Bio-Related Technologies

Goal: To improve and grow our businesses in medical, food, health, and beauty by developing and selling highly original bio-related products, mainly under the Hayashibara banner.

Results: We are still in the process of making improvements in this area. We did, however, establish a new sales structure to support Hayashibara products overseas and different rules for working with sales agents. These efforts led to several new client wins. We have focused our research at the Nagase R&D Center on developing foundational biotechnologies and creating bio-based products and services.

Businesses Utilizing Environmental and Energy-Related Technologies

Goal: To bring the entire NAGASE Group resources to bear in creating new business models, anticipating global trends to introduce technological innovation in the environmentally friendly energy fields.

Results: We experienced delays in identifying and ramping up core businesses. We will concentrate on building earnings for these businesses moving forward. Although we began sales of large-scale systems for lithium ion battery modules at CAPTEX, we

are still very much in the trial-and-error phase of this business. We will look for ways to customize our products to the markets and client applications.

Businesses Utilizing Electronics-Related Technologies

Goal: To grow revenues through proprietary technologies, products, and services that meet the needs of our customers.

Results: We are currently identifying our next core businesses in this area. We are growing sales for many products, including our own proprietary offerings, in the smartphone and tablet markets around the world.

| Main Electronics-Related Investments | Investment Amount |
|--------------------------------------|-------------------|
| Glass-related businesses | ¥1.4 billion |

The NAGASE Vision and Our Long-Term Policies

Historically, the NAGASE Group has operated our business under three-year medium-term management plans. Unfortunately, we have not had a strong record of recent achievement in our plan goals, due in part to post-plan market changes. Given this history and as a result of management discussions, we decided to create a long-term vision (management policy) for the NAGASE Group. Our future medium-term management plans will reflect this vision. Accordingly, the new NAGASE Vision has been design to develop a shared awareness of our long-standing management philosophy in engaging in Good and Fair Business Practices. We want to be a company where employees are proud to work. And, guided by this long-term vision, we will all strive to create higher levels of corporate value.

The NAGASE Vision is a promise to all stakeholders. Moving forward, our management policies and business plans will be aligned directly with achieving this vision. Beginning fiscal 2016, our business plans will span five years, rather than the traditional three.

We will work to keep the NAGASE



Vision foremost in mind as we rapidly approach our 200th anniversary in the year 2032. Three key words will drive us toward achieving the NAGASE Vision: Identify, Develop, and Expand. We will Identify customer needs, locating the proper suppliers, and coordinating transactions as part of our added value services. We will Develop these services as new businesses, and Expand in terms of growth, market share, and reach.

In order to realize this vision, we must instill company-wide support for complete participation and front line focus. We can't operate on the decisions of one manager. We need to be an organization that considers the opinions, thoughts, and ideas from all corners of our business. If we cannot do this, then we cannot Identify or Develop new opportunities. The NAGASE Group is made up of more than 6,000 employees, representing diverse backgrounds and opinions. We need to create a system for collecting and considering these opinions. Seeing the front lines of our business firsthand is the only way to learn about the markets and our customers. It is the only way we can get smarter and Identify trends. Obviously, we need to tailor our products to the markets. That is our only option after spending so much time and money in development them in the first place.

The framework of our long-term management policy is Challenges for Growth and Reinforcement of Business Base. What we mean by challenges for growth is to

“ The new NAGASE Vision is a promise of improved corporate value to all NAGASE Group stakeholders. ”

“ Thoughtful investments are driving quicker development in the Bio and Electronics fields. ”

invest more, to accelerate organic growth, and to expand the reach of our businesses further around the globe. What we mean by reinforcement of business base is to restructure our global governance, to promote diversity in our human resources management, offer a safe and secure workplace, and to establish a more effective communications infrastructure.

We believe that complete participation, presence on the front lines, and executing the principles of Identify, Develop, and Expand will lead us to new levels of corporate value.

Business Investment

We have continued a policy to grow our investment base since we first identified this as a priority in our 2000 WIT medium-term management plan. However, looking back at our performance reveals to us that many of our investments have been of the passive variety. Moving forward, we plan to develop a fund for long-term investment, categorizing businesses as Base Field, Focusing Field, and Emerging Field. We plan to be more active in the investment market, including making more M&A deals. Furthermore, we intend to give more authority to each business segment to accelerate the speed with which we make decisions.

See page 64
Financial Foundation Supporting Business Growth

Human Resources

The NAGASE Group long-term management policy is to Identify, Develop, and Expand with full participation. We believe this path will lead to growth, as well as to making a positive contribution to society. How do we create this cycle of rising motivation? We must create a human resources system that recognizes those who try new ideas and who go above-and-beyond to make a contribution. We must also be bold in handing over decision-making authority to our segments, affiliates, and overseas entities.

See page 54
Human Rights, Employment Practices

Unique Risk Management Factors

As a trading company, Nagase is responsible for the products we import. Similar to products we manufacture ourselves, we are considered to be the manufacturer of these imported goods. This involves quite a high risk related to product liability. Our liability remains even when we sell products made by domestic manufacturers. In many cases, we are the legally responsible manufacturer for all practical purposes, especially when the manufacturer is a small firm.

In dealing with this risk, we continually look for ways to improve our quality management and warranty system.

See page 59
Fair Business Practices

Corporate Governance and Shareholder Returns

At Nagase, corporate governance reflects our management philosophy of Good and Fair Business Practices. Our governance structure is what serves as the foundation for building long-term value. We have named outside directors to strengthen our management supervisory functions. In June 2004, we became more active in searching and selecting outside directors who have considerable experience and expertise in managing businesses in the chemicals, foods, and manufacturing industries.

Currently, we have two outside directors: Mr. Yasuo Nishiguchi, a former consultant at KYOCERA Corporation, and Mr. Hidenori Nishi, current representative director and chairman at KAGOME CO.,LTD. Both of these gentlemen have provided much in the way of practical advice based on their experience.

More specifically, Mr. Nishiguchi has helped us understand the various risks in the manufacturing industry, advising us on the necessity for establishing profitability according to the risk involved. Mr.

Nishiguchi has also helped the Company focus on the profitability of existing businesses and the need to be willing to abandon unprofitable ventures. His focus on manufacturing and profitability has been invaluable to the NAGASE Group.

Mr. Nishi has provided the Company with advice related to corporate branding and employee motivation. He has encouraged us to shift more decision-making authority to the front line of our businesses, with headquarters providing support functions. Mr. Nishi's own experience in corporate branding and risk management has also been extremely valuable to the Company.

See page 49
Corporate Governance

Dividends, Shareholders' Equity Policies

Our basic policy concerning dividends is to continue to make stable payments to our shareholders based on consolidated achievements, reflecting improving earnings capacity and corporate infrastructural integrity. Given this policy, we have committed to an end-of-year per-share dividend of ¥15 (full-year dividend of ¥30 per share, including a ¥15 per share interim dividend). This decision was based on considerations of the consolidated payout ratio, consolidated debt-to-equity ratio, and a corporate goal to

pay increasing dividends. Moving forward, we will work as a unified group to raise the quality of our businesses and management, improving long-term DOE and growing earnings to support higher per-share dividends.

The NAGASE Group strives to improve overall returns to our shareholder, balancing investment for continued business growth with direct shareholder returns such as dividends and stock sales or buybacks. During fiscal 2014, we retired 11 million shares (7.95%) of stock to help alleviate shareholder concerns about dilution. We will continue to consider future share buybacks or retirements in response to trends in the capital markets and our businesses.

I thank all our shareholders for their long-term view of the NAGASE Group business, and I ask for your continued support.

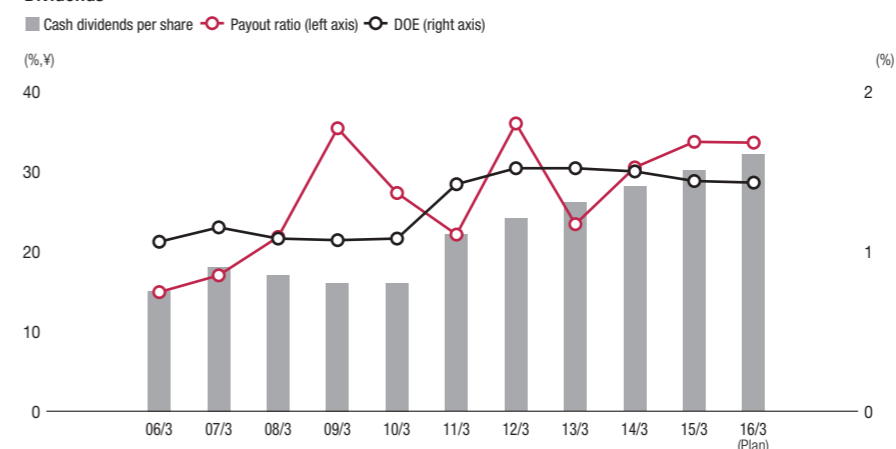
July 2015

President
Kenji Asakura

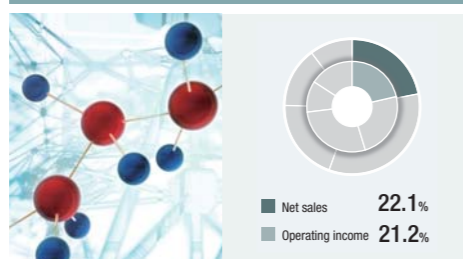
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“ We plan to invest for growth, creating an investment fund, and making investment decisions based on three categories of businesses. ”

Dividends



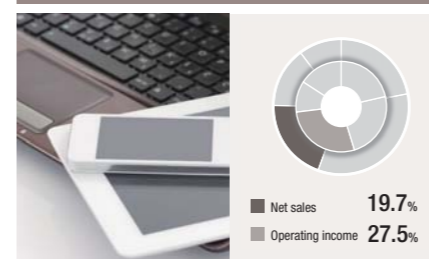
Functional Materials



Advanced Materials & Processing



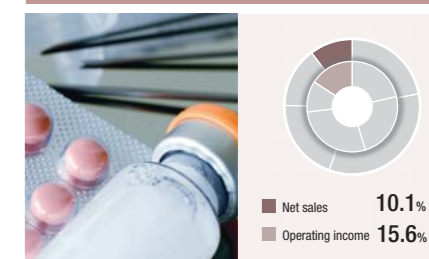
Electronics



Automotive & Energy



Life & Healthcare



Department Overview

Performance Chemicals Department

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

Speciality Chemicals Department

The Speciality Chemicals Department creates total solutions businesses built on information captured from a broad range of upstream and downstream sources. This department supplies intermediates and materials across a range of applications, including plastic materials and additives, industrial oil materials, plating chemicals, water processing agents, photoresist developer, fluorochemicals, silicone, and more. Further, we are working toward the global expansion of new businesses and customer products, utilizing unique customer technologies and our own value chain. The filter business (manufacturing, sales, cleaning) has been transferred from the Performance Chemicals Department, and will be a part of this department beginning fiscal 2015. This reorganization will allow us to provide even more effective solutions to our customers.

Colors & Advanced Processing Department

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

Polymer Global Account Department

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

Electronic Chemicals Department

The Electronic Chemicals Department provides unique products and services for the electronics industry, including formulated epoxy resins, highly pure chemicals, and construction and maintenance of supply management equipment. The department aims to operate highly profitable businesses that integrate trading and manufacturing functions, focusing on sales of Group manufacturing company products and other highly synergistic product sales.

Electronic Materials Department

The Electronic Materials Department leverages its domestic and overseas network to sell display device peripheral components/cases, internal components, and LED-related materials—a particularly high-growth market—for global smartphone and tablet business brands and materials suppliers. Department activities range beyond traditional trading company functions, incorporating glass processing and LED assembly and mounting. Beginning fiscal 2015, this department will see expanded sales with the addition of the flame retardant insulation sheets business of Sun Delta Corporation (joint venture with Asahi Kasei E-materials Corporation) and the thermal conductive sheets business, transferred from the former Polymer Products Department.

Automotive Solutions Department

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

Energy Business Office

This year marks the fourth anniversary of the Energy Business Office, which deals mainly with LiB systems, PV modules, and the component materials used in their manufacture. This office devises marketing strategies that anticipate future needs, dealing in and sharing information covering all aspects of the business from upstream to downstream. The Office is also engaged in the development and sales of independently powered systems (a combination of street light and communications LiB systems and PV modules) and energy management systems (EMS).

Life & Healthcare Products Department

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

Beauty Care Products Department

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

Main Products and Services

Performance Chemicals Department

Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, flame retardants

Speciality Chemicals Department

Petrochemical products, plastic materials and additives, chemicals for paper manufacturing, raw materials for industrial oil solutions, surfactants and surfactant raw materials, fluorochemicals, silicone materials, plating chemicals, electronics chemicals, polymer filters

Colors & Advanced Processing Department

Dyes/additives, digital print processing materials, copolyester resins, functional sheets and films, organic transparent conductive materials, dyestuffs, fiber processing agents, auto body repair paint

Polymer Global Account Department

Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings

Electronic Chemicals Department

Formulated epoxy resins and related products, chemicals for production of semiconductors and liquid crystal displays, chemical management equipment for liquid crystal display production processes

Electronic Materials Department

Materials for touch panels, materials for smartphone and tablet cases, optical films for liquid crystal displays (LCDs), abrasives, LED chips and related materials for assembly and mounting, glass processing, materials for backlights, electronic paper-related materials, materials for flexible displays, organic light-emitting materials, flame retardant insulation sheets, thermal conductive sheets

Automotive Solutions Department

General-purpose resins and functional resins for automotive interior/exterior components, automotive interior/exterior and functional components, lightweight materials and components, electronics components, auxiliaries, plastic-related equipment, devices and moldings

Energy Business Office

Raw materials for lithium ion battery (LiB), photovoltaic (PV) modules, LiB systems, PV materials and applied products in energy management systems, independently powered systems

Life & Healthcare Products Department

Functional food ingredients (functional saccharides, enzymes, health food materials, and food additives), cosmetic materials (whitening agents, moisturizing agents, UV absorbers, activators, antibacterial agents, and nutritional supplements), pharmaceutical (active pharmaceutical ingredients [APIs], clinical trial APIs, intermediates, raw materials, formulations, additives), in-vitro diagnostics, medical materials, related materials for agriculture, fisheries, and livestock (agricultural chemicals and materials, fertilizers, feed and feed additives)

Beauty Care Products Department

Cosmetics (including skin care counseling and facial care services), health foods

Customer Industry

Performance Chemicals Department

Paints and inks, urethane

Speciality Chemicals Department

Petrochemicals, plastics, electronic materials, semiconductors, industrial oil, surfactants, organic synthetics

Colors & Advanced Processing Department

Paper manufacturing/thermal paper, cosmetics and toiletries, electronic equipment, sheets and films, printing and print materials, fiber processing, auto body repair paint

Polymer Global Account Department

Office automation (OA) equipment, electronics and consumer electronics industries

Electronic Chemicals Department

Electronic components, displays, heavy electric, semiconductors, automotive, renewable energy industry

Electronic Materials Department

Smartphones and tablets, displays, touch panels, LEDs

Automotive Solutions Department

Automotive and automotive parts industries

Energy Business Office

Batteries, photovoltaics, automotive and automotive parts, construction, etc.

Life & Healthcare Products Department

Foods, pharmaceutical and medical, diagnostic drugs, cosmetics, household goods, agricultural, fisheries and livestock

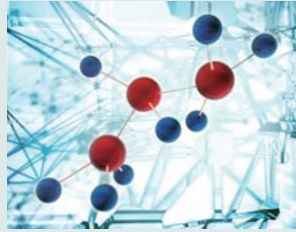
Beauty Care Products Department

General consumers

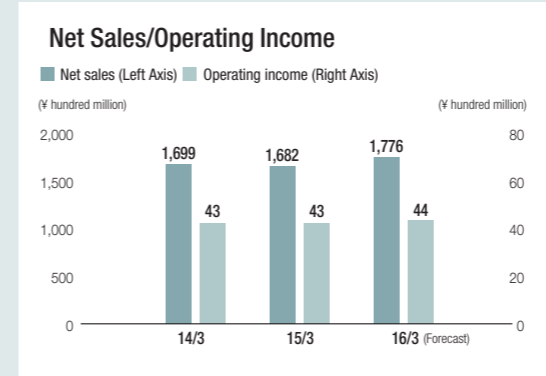
Functional Materials



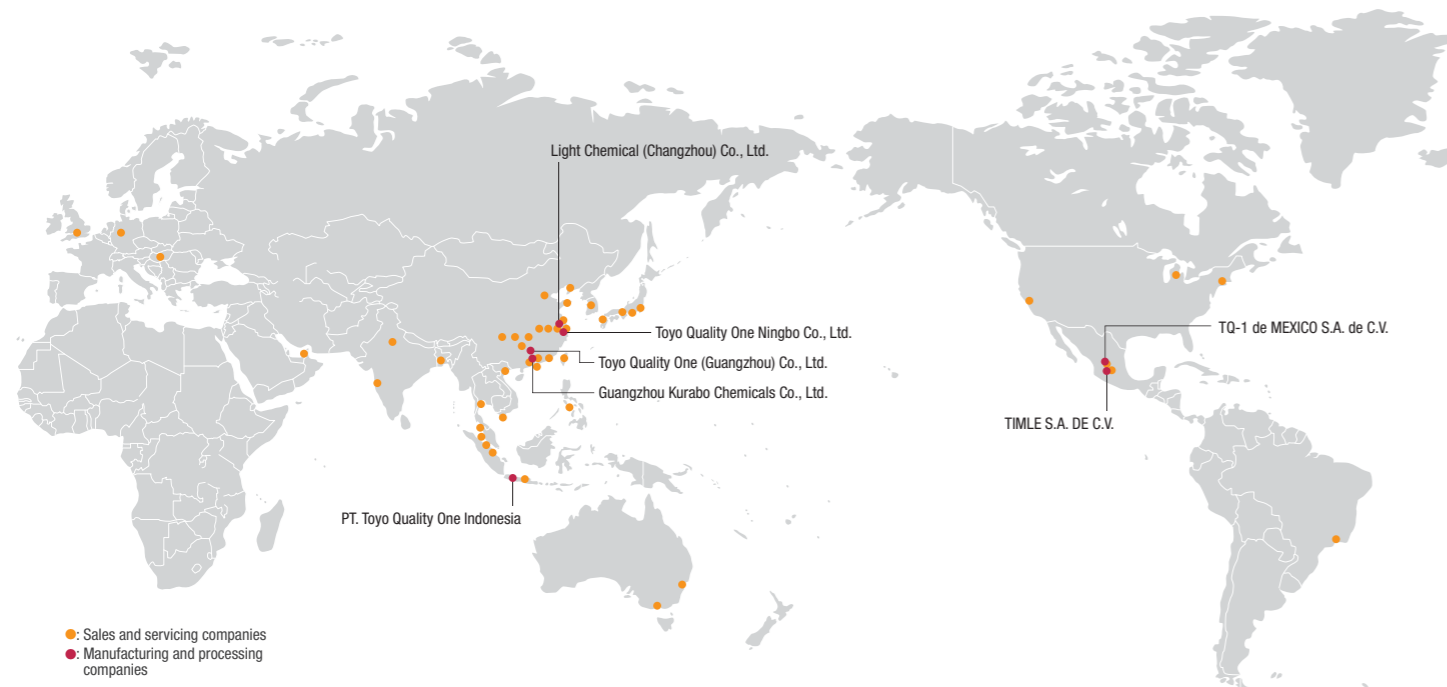
Functional Materials Segment



Our goal in the Functional Materials Segment is to be an indispensable partner for our customers, maintaining the No. 1 position among trading companies in the chemicals industry. At the same time we will work with our customers to create new solutions for social issues by unlocking the power within chemicals. As we accomplish these goals, we will move toward our ideal of becoming an organization that grows together with society.



Global Strategy



Medium- and Long-Term Business Environment

The Functional Materials Segment derives the majority of its revenues from within Japan, with overseas sales accounting for only 25% of segment revenues. Facing flat or even declining domestic demand, we expect the long-term external environment to present significant challenges for our businesses. We also foresee the potential loss of commercial rights to products and services in the domestic petrochemical industry, as it undergoes restructuring. We do project strong growth in the markets in Asia, Central America, and North America. We will be treating growth in these markets as one of our most pressing matters of business.

Overseas Expansion

- Bolster our production bases in emerging countries (Mexico, Turkey, Thailand, India, Myanmar, etc.) to expand business for urethane and related products.
- Step up global expansion for products from strategic suppliers.
- Expand trading business by utilizing marketing, logistics, assessment, and other functions in Asia.

Segment Overview (Functions)

The Functional Materials Segment works as a trusted partner, meeting the expectations of our customers in sales of chemical functional materials. As a segment that operates at the upstream end of the value chain, we link market needs and customer needs based on information we receive from segments in automotive, electronics, healthcare, environment, energy, and other fields. As we work to meet and exceed customer expectations, we help create a stronger value chain within the NAGASE Group.

Segment Strengths (Businesses)

- High customer satisfaction, strong sales capabilities, advanced technology information gathering capacity
- Collaboration with our Nagase ChemteX Corporation manufacturing subsidiary
- Formulation development function, assessment function from the Nagase Application Workshop
- Global Network
- A foundation and strong presence in the chemicals industry
- Enhanced management systems for chemicals-related regulations and security trade

Primary Businesses

- 1 Improve strategic customer businesses and introduce customer products to the market utilizing the resources in our Group value chain
- 2 Bolster Nagase ChemteX and expand other existing businesses; advance new business development
- 3 Grow our white bio business; engage in M&A, technology adoption to develop high value-added products
- 4 Develop new applications in our polymer filter business, develop new products; strengthen our cleaning business
- 5 Grow downstream markets, structure new business models focusing on coatings and urethane
- 6 Expand Environmental Business (Water, Air, Soil)



Kohei Sato
Director and Executive Officer
General Executive, Functional Materials Segment



Masaki Komobuchi

GM, Performance Chemicals Department

Major Manufacturers

- Toyo Quality One Ningbo Co., Ltd.
- Guangzhou Kurabo Chemicals Co., Ltd.
- Toyo Quality One (Guangzhou) Co., Ltd.
- P.T. Toyo Quality One Indonesia
- TIMLE S.A. DE C.V.
- TQ-1 de MEXICO S.A. de C.V.
- Light Chemical (Changzhou) Co., Ltd.

Performance Chemicals Department

NAGASE Market Strengths and the Business Environment

Strengths

Paints and Ink Industry

- Organization and personnel specializing in the domestic and overseas paints and ink industry
- Domestic and overseas sales channels
- Unique solutions as a trading company with R&D, manufacturing, and processing functions

Urethane Industry

- Strong customer pipeline supported by consultative sales
- Packaged sales of various urethane materials
- Nagase overseas network

Business Environment

Paints and Ink Industry

- Growing demand for paints and ink in overseas markets
- Potential for business with local (non-Japanese) businesses overseas

Urethane Industry

- Growing demand for urethane in emerging countries
- Acceleration of customer (Japanese companies) entry in overseas markets
- Higher awareness of energy conservation, the environment, and bio-based chemistry

Speciality Chemicals Department

NAGASE Market Strengths and the Business Environment

Strengths

- Strong relationships of trust with customers
- Manufacturing companies within the Group
- Access to downstream information using the value chain
- Experience in a variety of diverse chemical products, from general purpose to specialty
- Knowledgeable, experienced personnel

Business Environment

- Customer globalization
- Restructuring in the petrochemical industry (including biochemicals)
- Increasing need for high-function, high value-added products
- Increasing awareness of environmental issues



Yasuhiro Mihara

Executive Officer
GM, Speciality Chemicals Department

Major Manufacturers

- Nagase ChemteX Corporation
- Nagase Filter Co., Ltd.

Fiscal 2014 Strategies and Results

During fiscal 2014, the Company focused on (1) building strength in our customer base, (2) expanding our overseas business, (3) developing our bio-related business, and (4) improving our filters business. We are expanding customer service activities to improve customer satisfaction throughout the Group. Our focus here is to respond accurately to customer needs and offer better service as an integrated entity. Overseas, operations at our contract manufacturing base in China for our coatings business in that country are on track toward full operations. At the same time, we have been improving our urethane business manufacturing bases in Mexico and Thailand. Our filter business worked to develop new applications and related products to add to existing optical applications. Having observed the structural changes taking place in the petrochemical industry, we are working to integrate existing Group technologies and advanced technologies from both inside and outside Japan to create practical bio-based chemicals.

The impact of a weakened yen and lower oil prices has resulted in lower profits for our import business. Sluggish automobile and housing sales have also combined to depress domestic sales. Asia and other markets overseas have not been as strong as they once were, which was another contributing factor to lower revenues and profits on a consolidated basis.

Fiscal 2015 Strategies

Based on a three-year review of our customer service activities, we plan to use fiscal 2015 as an opportunity to strengthen our customer base by

improving customer satisfaction. We also plan to focus on downstream strategies, anticipating customer needs and maximizing the Group value chain to create new businesses. In addition, active M&A and strategies across the globe will serve to build upon the existing foundation of our overseas businesses.

We are also looking at the implications of major shifts in the supply chain related to Japan's petrochemical industry restructuring, seeking out new business opportunities over the medium and long term. We believe these measures will help us become a department that creates new value by solving issues in the global market, strengthening the Nagase brand.

TOPICS

Tying CS Activities to Greater Customer Satisfaction

- **Objective:**
 - ▶ Build and strengthen our customer base by understanding the business needs of our strategic customers across our primary business lines.
 - ▶ Identify the gap between our current and ideal corporate structure, defining the needs that are most important to our customers and understanding their current satisfaction levels
- **Goal:**
 - ▶ Become a company that customers look to for new ideas
- **Survey:**
 - ▶ We surveyed customers in our performance chemicals department and Nagase Chemical Co., Ltd. Chemicals Dept.
- **Methodology:**
 - ▶ Questionnaires and interviews
- **Questionnaire Responses:** 609 (92.4% response rate)
- **Results and Analysis:**
 - ▶ As a result of our activities over the past three years, we were able to improve customer satisfaction with Nagase sales activities from 86.5% to 90.9%
 - ▶ Improved awareness of NAGASE Group analytical and manufacturing functions; greater interest in working with Nagase on joint product development
 - ▶ NAGASE's strengths lie in our honesty, speed, and understanding of the customer
- **Future Matters:**
 - ▶ Desire for proposals that anticipate customer needs

Fiscal 2014 Strategies and Results

The Speciality Chemicals Department focuses on developing high-function raw materials in demand by industries involved in electronics, automobiles, industrial oil solutions, water processing agents, and more. The business is also well on its way to creating a global-scale value chain in the rapidly changing petrochemical industry, sourcing production with leading domestic and international manufacturers and, building a global-scale value chain.

Our Nagoya sales team has reported growth through working closely with local communities. In April 2015, we designated the unit as a formal business section, looking forward to even greater progress. As well, we extended our environmentally friendly businesses to Europe, North America, and South America. We also introduced new environmental products and technologies in these markets.

TOPICS

Contribute to the production of high-quality films Establish a new plant in 2016 for Denafilter™ production

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

During fiscal 2015, we plan to move operations for cleaning resin filters to a new plant at Technoport Fukui (on the premises of NAGASE Group company Fukui Yamada Chemical). We hope to use this new factory to bolster our ability to develop applications meeting customer needs and to create new businesses for cleaning components other than filters.

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

Fiscal 2015 Strategies

Our guiding vision in this business under the **Change-S2014** plan is to build an even stronger transactional foundation, creating new value to respond to the needs of the times, and contributing to the Group value chain.

Our plastic materials and additives business and the filters business have been placed under this department beginning fiscal 2015. We believe this will allow us to offer a wider range of high value-added services to our customers. Further, we plan to create new markets by coordinating technologies based on elemental technologies found within our customer base.

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



Leaf Disk Filter (Denafilter™)

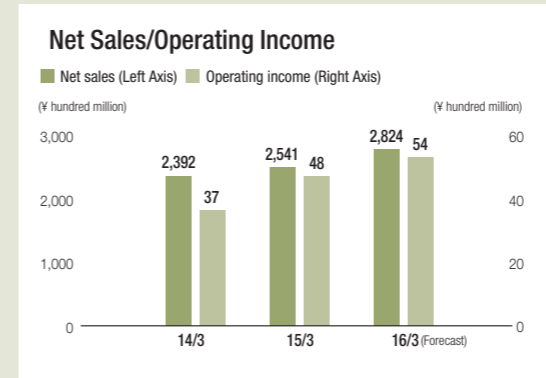
Advanced Materials & Processing



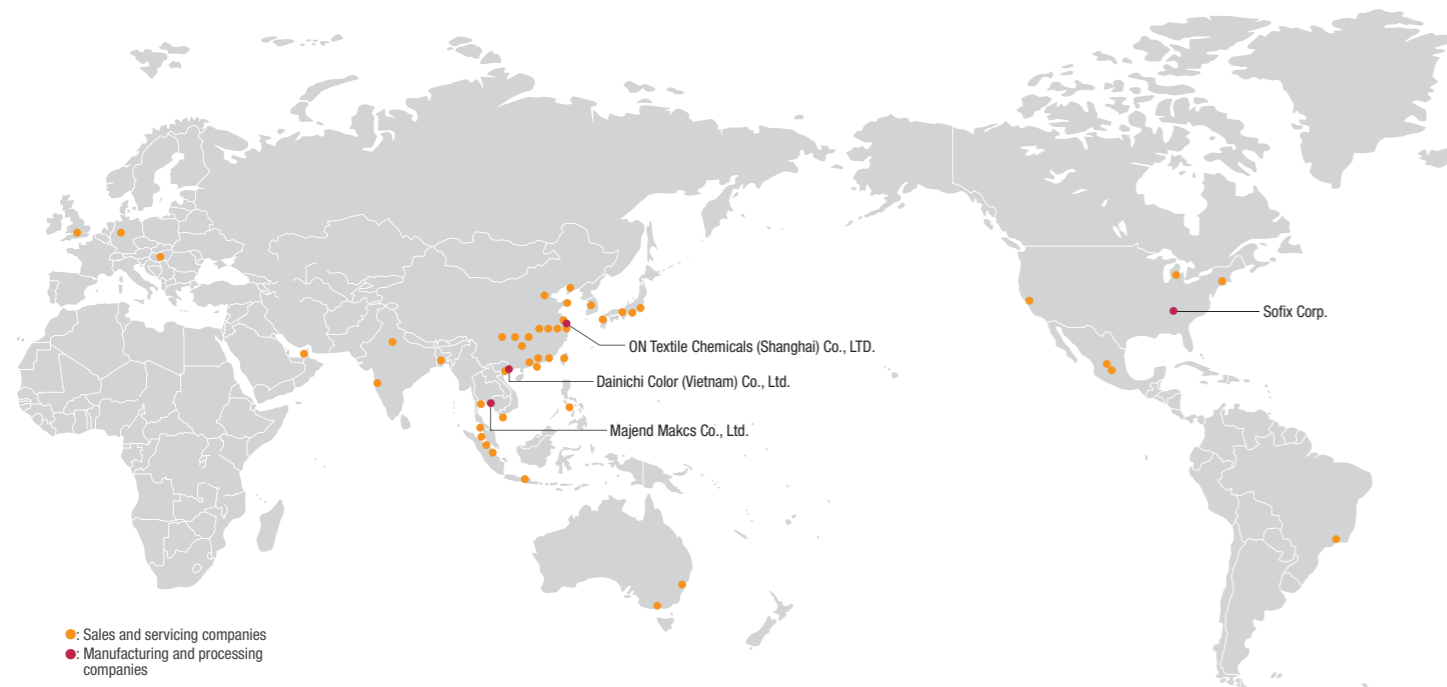
Advanced Materials & Processing Segment



This business segment contributes to society through the growth of the NAGASE Group, as we pursue a global business model that links materials with application development, expanding our expertise and experience in plastics, dyes, and processing technologies.



Global Strategy



Medium- and Long-Term Business Environment

- Slowing growth in the Chinese economy
- Changes in the supply environment related to China's environmental regulations and price increases
- Polarization between China and non-Chinese economic regions
- More diversified demand in Japan
- Globalization of customer procurement policies and clarification of functions demanded of trading companies

Overseas Expansion

- Respond to market segmentation between China and other regions as production shifts more rapidly to overseas bases for business equipment and textiles.
- Develop stronger presence in Chinese market; respond to higher demand for improved functions in Southeast Asia and South Asia.
- Move to accelerate shift in procurement of chemical materials to markets other than China.
- Work to create businesses in Southeast Asian emerging markets (Myanmar, Cambodia, Laos, Bangladesh, etc.)

Segment Overview (Functions)

The Advanced Materials & Processing Segment is positioned along the next step in the value chain of added-value creation. This segment is engaged in materials sales, as well as in leveraging the resources of the entire NAGASE Group organization in utilizing processing technologies that include materials combining and dispersion, filmification, and molding. By proposing added functionality, new designs, and functionality solutions, we generate more business and new business ideas.

Segment Strengths (Businesses)

- Asian sales network and experienced personnel
- Make the comprehensive resources of the NAGASE Group available when working with producers in areas ranging from insight into raw materials to application development
- Top-class overseas business partners: SABIC IP, BASF, Eastman Chemical
- Application development: Nagase Application Workshop, Shanghai Techno Center, Color Lab

Primary Businesses

- 1 Propose materials and application solutions to the business equipment industry
- 2 Expand business via strategy coordination with core suppliers
- 3 Expand overseas business
- 4 Strengthen integrated management activities with affiliates
- 5 Build a stronger presence in the packaging materials/containers/packaging industries



Ichiro Wakabayashi

Director and Executive Officer
General Executive, Advanced Materials & Processing Segment



Mitsuru Kanno
Executive Officer
GM, Colors & Advanced Processing Department

Major Manufacturers

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

Colors & Advanced Processing Department

NAGASE Market Strengths and the Business Environment

Strengths

Information Printing Industry

- Manufacturing bases
- Highly specialized global network

Colors & Imaging Industry

- Relationships with top manufacturers, customers
- Expertise in dyes and distributed processing
- Ability to distribute wide variety of products, small-batch sales

Polymer Products Industry

- Personnel with international experience and expertise in films, resins, molding, and masterbatches industries
- Relationships with suppliers that have strong product lineups
- Information resources at numerous top-class business partners

Business Environment

Information Printing Industry

- Materials and systems development in response to overseas expansion and new round of industry digitalization

Colors & Imaging Industry

- Growing demand for distributed processing and treatment, market growth overseas
- Growing relationships with leading manufacturers and customers

Polymer Products Industry

- Diversification and polarization of needs
- Increasing awareness of safety and environmentally conscious products
- Growth of medical, diagnostics, and nursing care markets

Polymer Global Account Department

NAGASE Market Strengths and the Business Environment

Strengths

Resin Sales Business

- Expanding sales network in Asia and other regions (personnel, offices, logistics bases)
- Wealth of experienced, knowledgeable national staff
- Direct approach to the end user (spec business functions)
- Size and number of transactions with Japanese- and non-Japanese affiliated customers

Business Environment

Resin Sales Business

- Growing business opportunities in inland China and newly emerging countries in Southeast Asia
- Increasing local spec business
- Changing customer purchasing policies (global procurement)



Koichi Sagawa
GM, Polymer Global Account Department

Major Manufacturers

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

Fiscal 2014 Strategies and Results

Fiscal 2014 results outperformed year on year in terms of consolidated operating income, owing in part to solid results in our existing businesses. However, delays in development projects for colors and imaging, mainly for the Japanese market, led to profits lower than plan. **Change-S2014** defined numerical targets for commercializing a number of development projects; however, we were not able to meet these targets as planned. The segment reported strong overseas exports and sales of cosmetics materials within the dyes/additives field. However, slow performance in our overseas business within information printing offset improved revenues and profits in our manufacturing departments, putting the brakes on growth for our organization as a whole. New projects in resins and films progressed favorably, in addition to successful measures for improving profits.

Fiscal 2015 Strategies

The new Colors & Advanced Processing Department is the combination of the Color & Imaging Department and the Polymer Products Department, which had been operated as separate units until fiscal 2014. Both departments will work to grow their existing businesses, while at the same time developing projects that promise new businesses in the future.

Fiscal 2014 was the first year of this new department. Having analyzed the results of our most recent medium-term management plan, we realized the need to redefine the future direction of these businesses as a new department. In the process, we reconsidered the foundational businesses of these former departments, narrowing and selecting the development projects we would ultimately pursue.

Given the present difficulties in growing domestic demand, it was only natural that we now look to overseas business expansion as our driver of growth. As we further study the possible synergies of this newly integrated department, we plan to introduce measures that will strengthen our value chain for the purpose of improving our function in the markets. A defining feature of this department is the inclusion of a Group manufacturing company. Here, our priority will be safe operations and measures to continue to improve profitability. In this way, we hope to establish ourselves as an organization that makes a strong contribution to the overall Group. Producing quality, highly trained personnel is a key to the success of this business. We plan to provide temporary reassignments with other Group entities and create more active front-line communications to increase the number and quality of contact points with our customers. We believe these are key strategies for generating ongoing business growth.

TOPICS

Anti-Reflective Optical Film

Sales of anti-reflective optical sheets using special coatings and coating technologies have contributed to sales and profits.

We are leveraging the NAGASE Group overseas sales network to expand applications of this product to the smartphone markets. We have also improved finish quality for use in the domestic car navigation market.

We are working to further improve the added value for this product using our proprietary surface processing technology.



Fiscal 2014 Strategies and Results

We have pursued our goals under the policies defined in **Change-S2014**, namely growing our resin sales business, building business outside resin sales in the office automation industry, engaging in environmentally friendly businesses, building a deeper non-Japanese customer base, and integrating our businesses.

In terms of growing our resin sales business, we have been able to build our business, particularly for major suppliers overseas. Under building business outside resin sales in the office automation industry, we have successfully expanded our business for auxiliaries. Related to engaging in environmentally friendly businesses, we expect to put recycled products on the market, while we have been able to secure new business from our new locations established in inland China to meet the guidance implied by building a deeper non-Japanese customer base. Finally, in terms of integrating our businesses, we have improved our unified management structure for domestic and overseas businesses.

Although we generated rising profits for each of the three years during **Change-S2014**, our overseas businesses did not grow to the levels we targeted. As well, our manufacturing companies did not make profit gains as quickly as we had planned. Due to these and other factors, we were not able to reach the goals outlined in our medium-term management plan.

Fiscal 2015 Strategies

For fiscal 2015, we plan to continue to grow the scope of our resin sales business. Domestically, we will work to secure more commercial rights and grow our businesses utilizing the NAGASE Group network. Overseas, we plan to take action to generate business opportunities in emerging countries in Southeast Asia, including Bangladesh, Cambodia, Myanmar, and Laos, looking to further establish our presence in inland China.

Our manufacturing businesses have been categorized as targets for further incubation. Here, we plan to create high-revenue businesses and integrate manufacturing and sales for our compound business. We believe this will lead to higher profitability, as well as growth in our packaging materials business as we continue to conduct cooperative manufacturing and sales with partners in Asian markets where we expect to see more growth.

TOPICS

Significant Growth in Asia

Our resin sales business in China continues to grow in step with the growth of the market. In the South China region, our in-country demand businesses (NWP International Trading (Shenzhen) Co., Ltd., Nagase Marketing and Service (Shenzhen), Guangzhou Nagase Trading) continue to grow, while in East China, our inland China business (Shanghai Hua Chang Trading Co., Ltd.) is growing and contributing to earnings in a significant way.

| | Sales Growth Rate (vs. Fiscal 2011) | Net Sales Composition Ratio Fiscal 2014 |
|--|-------------------------------------|---|
| Japan | +1% | 30% |
| Northeast Asia (Taiwan, China, etc.) | +13% | 51% |
| Southeast Asia (Singapore, Thailand, etc.) | +27% | 19% |

Electronics

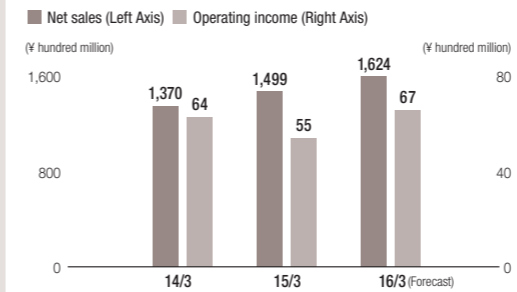


Electronics Segment

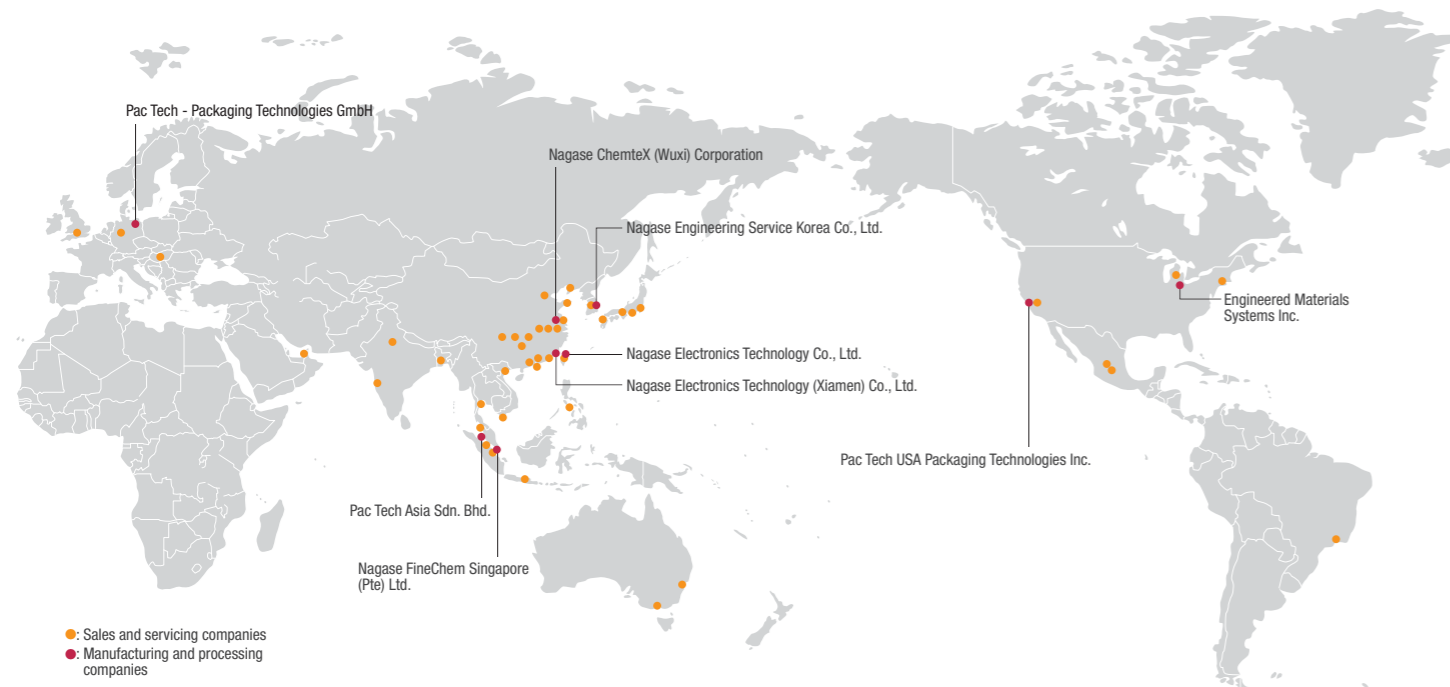


The electronic materials industry is subject to rapid and dramatic changes. Here, we have collected Group-wide functions under one roof as we continue to work on materials development, application development process solutions, and logistics proposals. Our ultimate goal is sustained growth built on a solid foundation of relationships with our customers.

Net Sales/Operating Income



Global Strategy



Medium- and Long-Term Business Environment

The world is rapidly becoming a single borderless society. Even so, we do not believe that Asia will give up its position as the center of the global electronics industry.

Our group responds to the demand from the Asian, the U.S., and the European markets, raising our value as a central player in the Asian electronics market. Here, we support the two prevailing market trends of increased functionality and lower costs.

Overseas Expansion

We provide a borderless framework for cooperative development, working for mutual prosperity with our partners in developing new applications that connect Asia and the West.

Segment Overview (Functions)

The electronics segment contributes to new and better ways of living throughout the world. We provide our own manufacturing technologies and services to the electronics industry, helping our customers respond to market demands for greater lifestyle comfort.

Segment Strengths (Businesses)

- Ability to propose products that meet customer needs; proprietary technological research, development, and manufacturing functions offered by Nagase ChemteX and Nagase Application Workshop.
- Provide services to customers through our global sales network and overseas manufacturing sites
- Provide new applications based on partnerships with suppliers
- Proactive investment in business incubation

Primary Businesses

- 1 Smartphone and tablet businesses
- 2 Next-generation display business
- 3 Epoxy business
- 4 Semiconductor postprocessing
- 5 Optical materials and device businesses



Hiroshi Hanamoto
 Director and Managing Executive Officer
 General Executive, Electronics Segment



Takahiro Okumura
GM, Electronic Chemicals Department

Electronic Chemicals Department

NAGASE Market Strengths and the Business Environment

Strengths

Electronic components (communication devices)

- Epoxy sheet encapsulant materials provide a large share among communication device applications; these materials are based on our own advanced formulation technology.

Display Industry

- High visibility and advanced technological capabilities in high-grade chemicals and supply and management equipment

Heavy Electric Industry (Electricity/Railways)

- With a track record of more than 40 years, our high-function/high-reliability materials provide a large market share in Japan

Business Environment

Electronic components (communication devices)

- Growth in the communication device market

Display Industry

- Growth in display applications

Heavy Electric Industry (Electricity/Railways)

- Global increase in infrastructure demand

Major Manufacturers

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

Fiscal 2014 Strategies and Results

In our epoxy business, we were able to create new revenue sources for communication device components and smartphones equipped with OLED. In addition, our overseas manufacturers (Nagase ChemteX (Wuxi) Corporation, Engineered Materials Systems Inc.) played a valuable role in helping us start new heavy electrical businesses (Asian markets) and automotive businesses (North American market). On the other hand, although we acquired certification for materials used in semiconductor back-end processes, results have been delayed while the market is still developing. In our chemicals business, we were not able to find any new customers for our chemicals for 3D packaging.

Our achievements under the **Change-S2014** (three-year) plan include sales and profit growth in each period, as well as significant revenue and profit contributions from our epoxy business and chemicals business. At the same time, we only achieved 80% of plan due to the market downturn in materials for the semiconductor market in Japan and only partial development of new technology customers overseas.

Fiscal 2015 Strategies

We created long-term growth strategies in five target industries for Nagase ChemteX, our core epoxy business: Heavy electrical, Light electrical, Car electronics, Microelectronics, and Renewable energy industry. To further grow our business, we plan to partner with entities inside and outside Japan. We will continue to provide high-function, value-added products

leveraging our own unique materials and manufacturing technology.

During fiscal 2015, we continue to expand globally in semiconductors, automotive, renewable energy industry, and heavy electric.

In our chemicals business, we plan to apply Nagase ChemteX proprietary chemical technologies to the rapidly growing Chinese liquid crystal market. We will also expand into the semiconductor market, where we expect to see future growth. In addition, we plan to build manufacturing sites in China, working closely with local customers.

These business activities are how we intend to contribute to better lifestyles around the globe through electronics.

TOPICS



Engineered Materials Systems Inc. New facilities

A new building is scheduled for completion in September 2015 at Engineered Materials Systems (U.S.), which we believe will provide us with better product development capabilities to build a stronger presence in the automotive, electronics components, renewable energy industry, and medical markets.

As a result, we will have three sites (Nagase ChemteX, Nagase ChemteX (Wuxi), and Engineered Materials Systems) engaged in cooperative development. Expanding our ability to supply customers around the world.

Electronic Materials Department

NAGASE Market Strengths and the Business Environment

Strengths

Smartphone and tablet businesses

- Core customer communication capabilities through global bases

- Brand owner ~EMS~ Components~ Business relationships with material manufacturers and professionals with highly specialized skills

Touch Panel Industry

- Nagase network capabilities focused on East Asia

- General handling of main materials

Display Industry

- Ability to handle many products, high barriers to entry
- Professionals with highly specialized skills

Business Environment

Smartphone and tablet businesses

- Globally expanding market
- Proactive adoption of new technology
- Emergence of new fields such as wearables, sensing, and IoT (Internet of Things)

Touch Panel Industry

- Lateral expansion into automotive and flexible display panel markets

Display Industry

- Global expansion of small- and medium-sized LCD panel market
- Likelihood of new applications, such as wearables



Masatoshi Kamada
Executive Officer
GM, Electronic Materials Department

Major Manufacturers

- Nagase Electronics Technology Co., Ltd.
- Nagase Electronics Technology (Xiamen) Co., Ltd.

Fiscal 2014 Strategies and Results

Sales of materials for smartphones/tablets, silicon wafer manufacturing, and LED-related materials remained steady throughout fiscal 2014. However, the downturn in the touch panel markets and associated debt default resulted in higher revenues and lower profits compared with the prior fiscal year.

Throughout the three-year period covered by **Change-S2014**, we improved our global sales structure by growing our business with smartphone and tablet makers, as well as with EMS customers. We have improved product competitiveness in the glass processing business due to streamlined processes. In the polarizer business, sales have increased owing to an expansion of commercial rights, as well as growth in the medium and small LCD business. We have also come up to speed in our LED light business. However, despite steady growth in our touch panel component business, the rapidly changing nature of the market has us focusing on new business models.

Fiscal 2015 Strategies

During fiscal 2015, we plan to continue developing business with smartphone and tablet casing brand owners, looking to secure new products to supply. In our glass processing business, we are continuing efforts to

build more facilities and diversify in order to create a more stable ordering environment. The portion of our business dedicated to electronic devices continues to make up a growing share of our LED lighting components business. In LCD optical films, we plan to leverage our channels with smartphone and tablet brand owners to grow our share of the small and medium markets. We are also making progress in development for the wearables sector.

Our goal leading up to the next medium-term business plan is to create new businesses. Over the long term, our goal is to build businesses in new IT growth markets. These markets include car multimedia, health care, and smart homes. We plan to invest in small- and medium-sized startup firms that are creating unique technologies in these fields.

TOPICS

Nagase Electronics Technology (Xiamen) began manufacturing operations

During fiscal 2014, the thin glass panel processing plant in China (built during fiscal 2012 to take over production from our Taiwan plant) began to experience more stability in order volumes, transitioning to the next stage of operations. We plan to improve our surface treatment technology to further differentiate ourselves in the market.

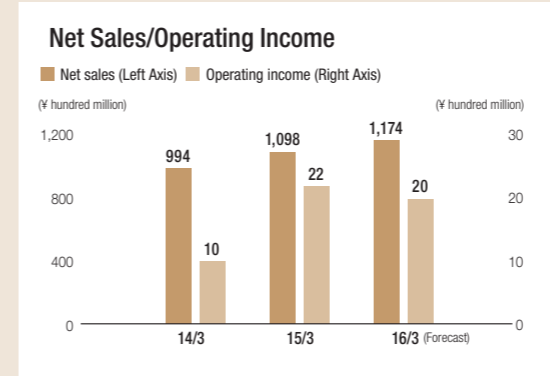


Automotive & Energy

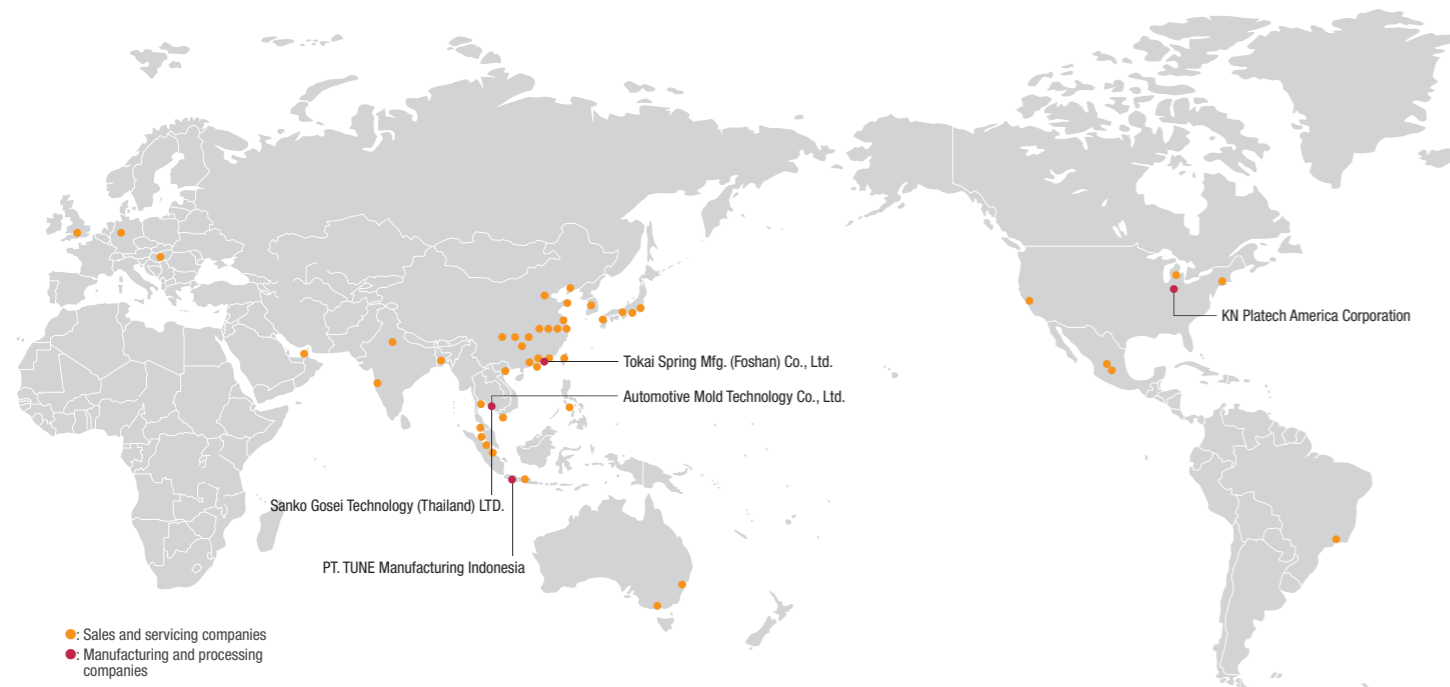
Automotive & Energy Segment



Our goal is become an integral part of our customers' businesses, building further on the foundation of our widespread international customer network. We plan to grow as a valued member of society, offering products and services for the new car society and energy management sectors.



Global Strategy



Medium- and Long-Term Business Environment

- Looking ahead to the year 2020, we expect eco-friendly vehicles (hybrids, electric cars, fuel cell vehicles, etc.) to become a major part of the global automotive market. As our own population rapidly ages, we anticipate greater needs for eco-friendly transportation, as well as safety, security, and comfort.
- Auto production increasing yearly, mainly in emerging economies. Meanwhile, we forecast a gradual decrease in production in Japan.
- We expect to see more attention given to local production/local consumption of energy associated with electric power deregulation in 2016.

Overseas Expansion

- We plan to expand the foundation of our resins business for non-Japanese auto makers (U.S., EU, national makers) in China.
- We plan to grow our business base in emerging countries (Mexico, India, etc.)
- We have partnered with U.S. and EU makers to develop future generations of eco-friendly vehicles.
- We are creating products for independent energy production that combine photovoltaics (PV) with lithium ion batteries (LiB). In particular, we are focused on meeting needs in regions without power grids overseas and in town planning applications.

Segment Overview (Functions)

In our Automotive & Energy Segment, we are pursuing original technological innovation in plastic components and storage battery systems that incorporate new materials and advanced technologies. We plan to bring these developments to the automobile and eco-friendly energy sectors, creating new business models for growth.

Segment Strengths (Businesses)

- Superior marketing capabilities for new technologies and materials in demand by the new car society
- An established global network and Group manufacturing functions
- Relationships of trust with our customers built on industry expertise and knowledge
- CAPTEX storage battery technologies, expertise of partner companies, manufacturing development functions

Primary Businesses

- 1 Resins business**
We plan to grow our business in newly emerging economies and market for engineered plastics to replace metals.
- 2 Car electronics business**
Here, we are expanding our activities in the modular components market, using our understanding of the market's needs for eco-friendliness, safety, security, and comfort.
- 3 Energy business**
We plan to introduce energy-management products designed for energy conservation and business continuity planning. We are also working on building our field engineering business to service the aftermarket.



Kohei Sato
 Director and Executive Officer
 General Executive, Automotive & Energy Segment



Masaya Ikemoto
Executive Officer
GM, Automotive Solutions Department

Major Manufacturers

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

Automotive Solutions Department

NAGASE Market Strengths and the Business Environment

Strengths

Automotive Interior Industry

- Understanding of design needs based on global partnerships with leading manufacturers

Automotive Parts Industry

- Close, long-standing relationships with customers in the global resin markets
- Strong global network, including expatriate assignees and local staff. Long-standing relationships with Japanese and non-Japanese suppliers; strong customer base

Business Environment

Automotive Interior Industry

- Growing business opportunities in North America and Mexico
- Introduction of new technologies

Components Industry

- New initiatives for bringing safety, security, comfort, and eco-friendliness to the next-generation car society

Global Resin Industry

- Growing opportunities in emerging economies (Mexico, inland China, India), global expansion, growing Out-Out business

Energy Business Office

NAGASE Market Strengths and the Business Environment

Strengths

Battery Industry

- Ability to handle both batteries/PV and systems/ materials
- The Nagase Network

PV Industry

- Ability to handle both batteries/PV and systems/ materials
- Fables

Automotive/ Components Materials Industry

- NAGASE Group sales channels

Business Environment

Battery Industry

- Promotional policies for renewable energy; electric power deregulation; new emerging markets overseas; future government subsidies

PV Industry

- Promotional policies for renewable energy; electric power deregulation; new emerging markets overseas

Automotive/ Components Materials Industry

- CO₂ reduction regulations; ZEV (zero emissions vehicle) regulations in the U.S.



Kiyoshi Sato
GM, Energy Business Office

Major Manufacturers

- CAPTEX Co., Ltd.

Fiscal 2014 Strategies and Results

Fiscal 2014 marked the final year of our **Change-S2014** business plan. Under this plan we focused on initiatives to strengthen our operating framework, advancing projects in our resins business and car electronics, two core elements of our medium-term management plan.

Within our car electronics business, equity investee Atecs Corp. is making progress in developing components for precision insert molded components for use in HEV and EV applications at Japanese, EU, and U.S. auto makers. We have already secured several orders for these products. We are also actively engaged in work related to sensors and heads-up displays for next-generation vehicles.

Our resins business recorded higher revenues and profits for the period. This result was partly due to the release of new global car models and increased production in response to consumer demand, particularly in North America and Korea. Additionally, we are pleased to report that our manufacturing joint venture in North America swung to a net profit for the period.

As a result of these efforts, we generated significant growth in both revenues and profits.

Terms

HEV: Hybrid vehicles
EV: Electric vehicles

Fiscal 2015 Strategies

During fiscal 2015, we plan to pursue initiatives in our resins business and car electronics business in bringing better safety, security, comfort, and eco-friendliness demanded by the next-generation car society. In so doing, we believe we will be well on the path to accomplishing the long-term vision set for our division.

In the resins field, we plan to use our global network to develop more cooperative businesses, supporting the global expansion of our Japanese customers. In addition, we are moving forward in projects related to metal alternatives and light-weight materials, while at the same time growing sales of engineered plastics for high value-added applications.

The plastic components business is building a stronger foundation, including forming joint ventures with other manufacturing companies.

In the car electronics field, we are making advances in the development of internal power module components and sensor module components, finding more products and services for OEMs in the U.S. and EU markets.

TOPICS

Global Growth

We are making progress in developing new applications for uses in car electronics. Accordingly, we have seen more global activity for the components materials that we develop and produce.



New Atecs Corp. plant and components materials

Fiscal 2014 Strategies and Results

During fiscal 2014, we competed head-to-head with low-cost Chinese manufacturers, as well as Japanese manufacturers who made significant additions to their production capacity. Despite the competition, our partner GRID reported major growth in sales of PV modules for power plants. The company recorded 155% year-on-year earnings growth, continuing a trend of strong sales from the preceding period. Battery materials sales for the period were level with the prior year. Despite growth in HEV and LiB for certain electric vehicles, second-half sales stalled in Korea.

Meanwhile, we made notable progress in mass producing and proving our large-scale batteries, sold from our storage battery systems business. We have also started to see results from our work in developing solar-powered street lamps and access gates. These products use independent power provided by a combination of our small storage batteries and PV modules. Further, we plan to begin contract manufacturing of battery packs for major electrical equipment manufacturers during fiscal 2015. Our consolidated CAPTEX manufacturing company will be performing the contract manufacturing of large-scale power supplies, small-scale power supplies, and battery packs.

Terms

PV: Photovoltaics
HEV: Hybrid vehicle
EV: Electric vehicle
LiB: Lithium ion battery

Fiscal 2015 Strategies

Beginning fiscal 2015, we will change our organization from regional units to business units, which will allow us to focus more on product and service feasibility. In so doing, we believe we can build a business foundation for steady growth, successfully navigating through and around the rapid changes in our market.

We also plan to take advantage of the upcoming electric power deregulation to efficiently combine our LiB systems and PV systems businesses in the new markets that are likely to develop. We expect to report growth for these systems businesses, as well as for our LiB materials and PV materials. We are also busy creating and marketing new energy products and services related to the aftermarket business.

Meanwhile, CAPTEX plans to stabilize its operations through contract manufacturing for other manufacturers in addition to producing its own products.

TOPICS

We are actively pursuing the smart community business

We are engaged in eco-friendly urban planning projects, working in partnership with several construction companies. We also have a smart campus business that provides products and services to universities and colleges. This business incorporates storage batteries produced by CAPTEX, a consolidated manufacturing company.



Life & Healthcare

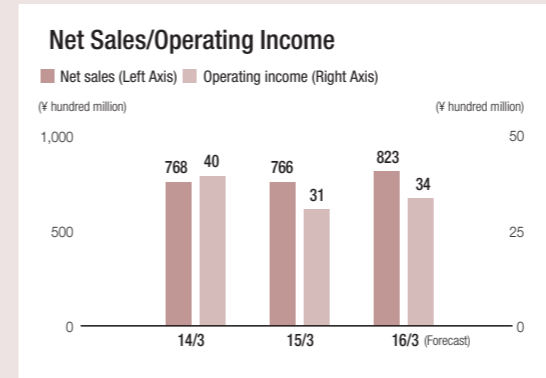


Life & Healthcare Segment

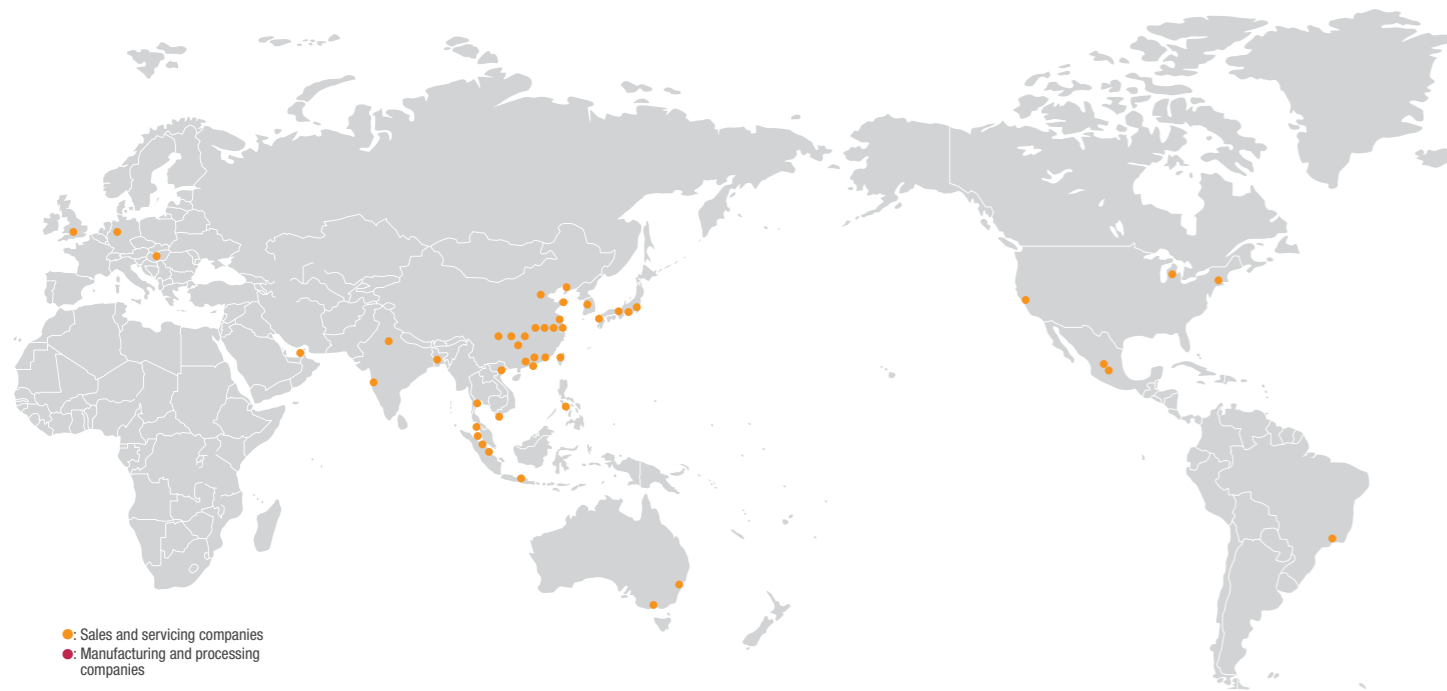


Our philosophy is to contribute to a healthier and richer lifestyle. We have identified our primary markets as the food products/beverages, cosmetics/toiletries, and pharmaceuticals/medical materials fields, utilizing Group resources and technologies (saccharides, enzymes, formulation, and compounds) to open global markets.

We create maximum business value by delivering safe, secure food products, and by helping our customers live in greater health and beauty.



Global Strategy



Medium- and Long-Term Business Environment

- Improved living standards across the world has also resulted in the rapid spread of lifestyle related diseases, raising more awareness of health issues
- As consumers begin to expect more in the way of safety and security, we foresee a rise in interest in beauty and health, innovative medical technologies every year
- Greater interaction among the people of the world is leading to greater homogeneity in cultures and customs

Overseas Expansion

- Leverage Japan's advanced technology levels to develop our global saccharides and enzyme induction products
- Work to win a greater share of leading regional markets by building a manufacturing structure that supports the unique characteristics of local regional cultures. Grow our lifestyle-related business by offering technology services.

Segment Overview (Functions)

The Life & Healthcare segment is committed to information collection, technological advancement, and manufacturing activities that contribute to a richer and healthier lifestyle for our customers. By creating new value in this area, we work together with our customers and other Group companies to contribute to a better society, becoming a corporate group with a more visible and respected presence in the market. We are also engaged in developing new materials to serve as the future manufacturing foundations in the biotechnology field. Here, we are creating new value-added products that help our customers live better.

Segment Strengths (Businesses)

- R&D and manufacturing functions related to enzymes, saccharides, formulations, and compounds (organics, polymers)
- NAGASE Group global network (Asia, ASEAN, Middle East, Europe, North America)
- A successful history in the medical business based on global compliance and pharmaceutical administration systems
- A network of sales agents in various business arrangements throughout Japan (saccharides, cosmetics)

Primary Businesses

- 1 Deploy saccharides and enzyme businesses to food products and beverages
- 2 Grow the cosmetics and toiletries businesses
- 3 Expand the pharmaceuticals and medical materials businesses globally
- 4 Extend our business to the agriculture, fisheries, and livestock industry (saccharides, enzymes)
- 5 Build a stronger foundation for beauty care products, expand our customer base



Osamu Morishita
Director, Managing Executive Officer
General Executive, Life & Healthcare Segment



Naoki Yasuba
Executive Officer
GM, Life & Healthcare Products Department

Major Manufacturers

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

Life & Healthcare Products Department

NAGASE Market Strengths and the Business Environment

Strengths

Fragrance/Cosmetics

- Wide range of activities (from cosmetics to household items)

Pharmaceuticals

- Manufacture of highly active injections, formulation development functions

Foods/Medical

- NAGASE Group global network

Legal

- Compliance with global statutes and regulations

Business Environment

Fragrance/Cosmetics

- Major Japanese cosmetics firms expanding overseas

Pharmaceuticals

- Policies encouraging use of generic drugs

Food

- Rising popularity of Japanese food overseas

Medical

- Japanese medical materials industry support policies

Beauty Care Products Department

NAGASE Market Strengths and the Business Environment

Strengths

Direct sales industry

Our direct sales business boasts a nearly 50-year history, attracting almost 500 Managers (sales agents) who are die-hard fans of Nagase products, support for women in business (women's organizations)

Business Environment

Direct sales industry

- Aging population, Internet-based society, health-oriented population and growth of the health industry, safety and security orientation



Takaaki Hirai
Executive Officer
GM, Beauty Care Products Department

Major Manufacturers

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

Fiscal 2014 Strategies and Results

Since joining the NAGASE Group, Hayashibara Co., Ltd. has focused on food and beverages, cosmetics and toiletries, and pharmaceuticals and medical materials, actively pursuing marketing activities on a global scale. Results have been in line with our **Change-S2014** business plan.

In our food business, we have worked to shore up our logistics systems and network of sales agents for the global expansion of Hayashibara products. As a result, we have enjoyed rising revenues in Asia, particularly in the Chinese market. Our enzymes business has made strides toward becoming a more global organization. We completed filings for Kosher and Halal certification, as well as inclusion in the EU positive list of food enzymes (1332/2008 EC). Certain brand-name whitening products in Japan experienced issues with spotting in 2013. However, the market has recognized the reputation for the safety of the Hayashibara AA2G™ product (whitening), leading to increasing popularity in Japan and globally for this mainstay of our perfume and cosmetics business. In Japan, we have successfully positioned Nagase as a perfume and cosmetics brand, taking the first major step in becoming a global distributor in the market. We have set the foundation for correcting and growing our portfolio of pharmaceutical and medical businesses, building a depth that promises support for higher levels of growth in the future. We have also created a stronger structure for cooperative business within the group, which is leading to new business opportunities. As a result of these activities, we recorded higher year-on-year revenues and profits.

Fiscal 2015 Strategies

Fiscal 2015 marks the third year since the launch of our Life & Healthcare Products Department.

In our food business, we have been actively marketing our TREHA™ (trehalose) and other functional saccharides, as well as our proprietary enzyme technologies. Moving forward, we plan to develop more applications tailored to local market characteristics. We have accelerated the pace of marketing activities in our perfume and cosmetics business, support Japanese brand manufacturers in their overseas expansion. Our activities have also created a foundation for introducing Nagase brand perfume and cosmetics. In the pharmaceuticals and medical field, we separated out medical materials to create the foundation for a stronger Nagase brand presence through cooperative projects with other departments. In pharmaceuticals, we plan to grow our business by filling our development pipeline. At the same time, we are improving our legal and regulatory department, transitioning from "defense" to "offense." In this case, we believe we can be proactive in offering support and functions unmatched by our competitors.

Our ultimate goal is to coordinate closely with the rest of the Group, engaging in a One Team approach as we become a business unit that contributes to healthy, fulfilled lifestyles.

TOPICS

TREHA™ (trehalose) promotional activities overseas

We have stepped up the pace of promotional activities for TREHA™ (trehalose) in overseas markets. We sponsored a trade show promotion in which we brought in chefs from different specialties to provide demonstrations. We were able to communicate the benefits and advantages of TREHA™ to our customers. To further strengthen our marketing efforts, we plan to conduct seminars and internal training to help our sales agents and employees understand the benefits and advantages of TREHA™.



Fiscal 2014 Strategies and Results

This department is working towards sustained growth in the direct sales business with Nagase Beauty Care under the guidance of **Change-S2014**. To accomplish this, we have adopted six strategies: (1) Improving Nagase brand recognition in the market with advertising and promotional videos; (2) speeding up the pace of sales agent training through a revised sales system; (3) extending the effectiveness of our human resources through the adoption of the Nagase Brush-Up System training and human resources development program; (4) engaging in research based on the theory of herb sciences and technology and clarifying the direction of our product development; (5) re-energizing local markets by opening new salon offices and remodeling existing stores; and, (6) working to extend our reach into new regions through development teams directed from our headquarters. Additionally, we have dedicated time and focus to attracting general customers to NALPHAS, a chain of outlets managed directly by Nagase headquarters.

We introduced NAGASE BM Royal to the market in December 2014. BM Royal is a blend that contains our new fermented Panax ginseng C.A. Meyer M1-CD formulation. We conducted product presentations nationwide as part of our customer-focused sales approach. However, our results were lower in terms of revenues and profits compared to the prior fiscal year. This was mainly due to unusually strong sales in the prior year before Japan's consumption tax increases. Consumers took longer to return to normal spending during fiscal 2014 than we initially forecast.

Fiscal 2015 Strategies

To establish sustainable growth for the 50th anniversary of our direct sales

market in fiscal 2015, the department will pursue a six-point plan. (1) Improving Nagase brand recognition in the markets through advertising and public relations activities; (2) generating more activities and new sales in existing regions, including a review of offices nationwide; (3) speeding up the pace of sales agent training through a revised sales system; (4) expanding the number of Nagase partners by actively teaching and using the Nagase Brush-Up System (new technique training, staff education program); (5) promoting research and product development according to the theory of herb sciences and technology; and (6) moving into new areas via business development teams under headquarters projects. We also plan to introduce technology upgrades (tablet devices, etc.) and other measures to transition into a next-generation sales organization.

TOPICS

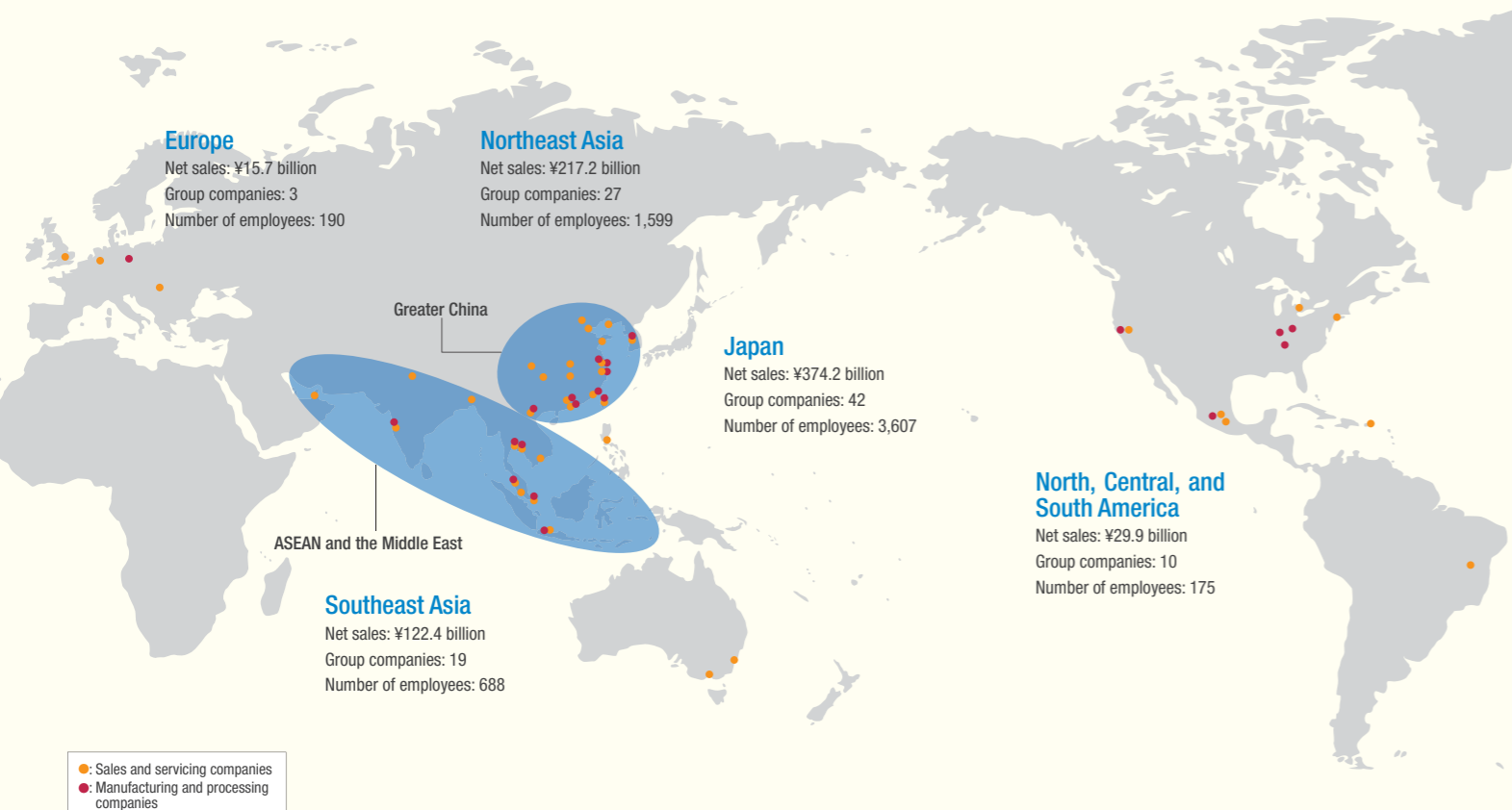
NAGASE BM ROYAL

BM Royal is a blend of royal jelly, fermented ginseng M1-CD, and A221 lactobacillus. Fermented Panax ginseng C.A. Meyer M1-CD is a new ingredient that promotes better internal absorption via fermentation and cyclodextrin inclusion technologies. A221 lactobacillus is an ingredient that has demonstrated new results after more research. To this, we have added our own ideas combining traditional Japanese and Chinese medicines, including jujube, ginger, and gardenia extracts. NAGASE BM Royal provides more energy for everyday activities.



NAGASE BM ROYAL
54g (1.8g x 30 packets)
¥8,743 (including 8% consumption tax)

Global Network



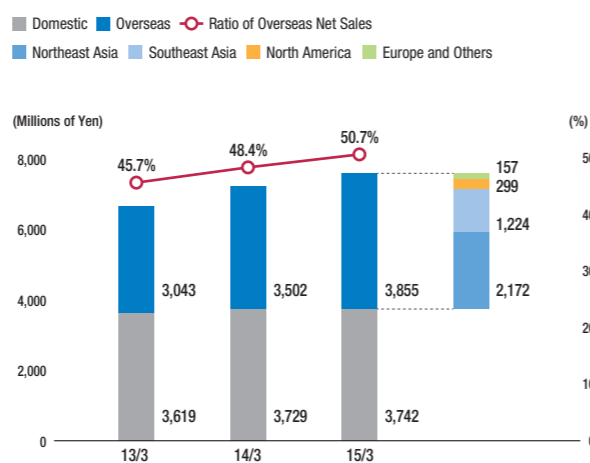
The Globally Expanding NAGASE Network

The NAGASE Group is engaged in activities around the world that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare segments. These products and services include dyes/pigments, coating materials/inks, surfactants, office automation (OA), electrical equipment, home electronics, automobiles, LCDs, semiconductors, pharmaceutical/medical applications, cosmetics and functional food ingredients.

We have grown to become a global technology and information network with 101 companies in 20 countries and 6,259 employees (consolidated) worldwide.

Today, overseas revenues account for 50.7% of consolidated net sales. We will continue to pursue a course of stronger marketing in all regions, leveraging investment in growth markets and interregional projects to create new overseas businesses.

Share of Net Sales by Region (Japan/Overseas)



Regional Overview

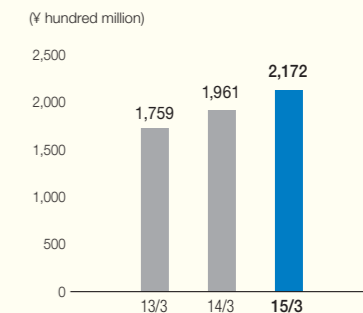
Greater China



Executive Officer
Greater China CEO
Katsuhisa Yamaguchi

Including sales companies, manufacturing companies, branches, and offices, the NAGASE Group has more than 40 locations throughout Greater China (Mainland China, Hong Kong, Taiwan). As we engage in business activities working closely with our customers and markets, we create business models that maximize and leverage the comprehensive power of the globally expanding NAGASE Group.

Net sales



Major Market Trends

The Chinese GDP grew at a brisk 7.4% throughout 2014; however, the nation's rate of growth has slowed over the past several years. The Chinese government has prioritized employment and household income growth over economic growth, promoting a shift to an industrial structure driven by internal demand. The growth target for 2015 has been lowered to 7.0%. The corporate business environment is recognized to have entered a completely different stage than the past 10 years.

The automobile industry continues stable growth as a whole, but Japanese auto makers are finding themselves in a difficult battle for market share. The smartphone, tablet, and other electronic devices industry is also growing as a whole, but the market is extremely competitive. At the same time, the office equipment and home appliance markets have been comparatively stable, while a notable trend has been the shift in some supply chains, including the electronics supply chain, to the China Plus One nations in the ASEAN region.

Meanwhile, rising income levels, cultural maturity, awareness of product safety and the environment, and other diversified consumer interests are likely to result in continued strong demand growth for power generation, batteries, and other energy products, as well as products in the air, soil and other environmental fields. The food and other lifestyle-related industries should also experience significant growth. Further, in the semiconductor and other high tech industries, the market is expected to grow significantly in China.

Fiscal 2014 Results

During fiscal 2014, we recorded increased sales of plastics and other products for automobiles. During the year we engaged in a number of cross-regional projects in Greater China, including our China End User Project (marketing unique Japanese components and materials to leading smartphone, tablet, and notebook PC brands in China/Taiwan). We continued to promote our China Sourcing Project (setting up strategic partnerships with globally competitive Chinese chemical manufacturers to leverage our international network) and the work of our Hayashibara Business Development Team.

We are using a regional headquarters in Shanghai to conduct full-scale marketing surveys and discover new products in the environment and life & healthcare fields.

Fiscal 2015 Strategies

In our core resin sales business, we continue to promote sales growth in inland regions by offering detailed customer service. We are relying more on local development and production for our electronics materials and epoxy resin products. Here, we are focused on application development and growing sales to local users. At the same time, we are opening new markets for structural materials, car electronics, and other products as we start to develop modules and other new business models. In functional materials, we are working with Light Chemical Industries Co., Ltd. in a joint venture contract production facility focused on exports to Southeast Asia, North America, and South America. Meanwhile, we continue to endeavor to grow sales of Hayashibara trehalose and other food products in our food business. We are also actively developing new applications and synergistic products.

In our mainstay environment and life & healthcare businesses, we are engaged in marketing in China, as well as in creating new products, new technologies, and new strategic partnerships. Our main messaging here discusses food, medicine, and soil improvement themes. We have established dedicated teams and demonstration centers in Taiwan and Shanghai to help grow our semiconductor businesses in these areas. These local teams are fully involved in market development, offering a number of different products and services, including proprietary Nagase products.

TOPICS

Completion of Shenzhen analysis lab

We completed construction of an analytical laboratory in Shenzhen City. This lab will conduct electronic component analysis, coating tests, and other work. We are working with our suppliers on a consistent basis to improve the functions we offer. These include offering better technology follow up for imported products sold to local customers, the development of more applications for electronics products (combining metal casings, resin, and other materials with paints and other functional materials) and stricter quality assurance for devices produced in China for overseas export.



ASEAN and the Middle East

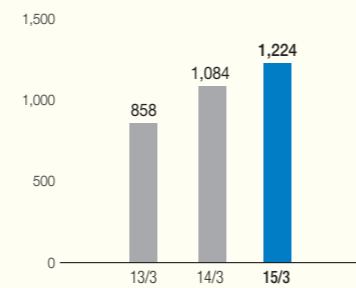


Director, Executive Officer
CEO, ASEAN - India
Ichiro Wakabayashi

While many countries and regions around the world are experiencing slowing economic growth, the ASEAN region continues to be economically strong. The expansion of the middle and upper classes in the region has increased interest in ASEAN as a consumer market. The economic growth rate in India is particularly high, with ASEAN/India representing an emerging economic powerhouse recognized worldwide. Nagase has operations in 11 countries, including all of the major ASEAN nations (Singapore, Malaysia, Thailand, Vietnam, the Philippines, Indonesia) and Myanmar (first local entity planned for 2015), as well as India, the Middle East, and Oceania. We believe this Group network is our most outstanding competitive advantage as we build our automobile, home appliance, food, and other businesses in the region.

Net sales

(¥ hundred million)



Major Market Trends

The Japanese manufacturers who make up our major customer base are accelerating their entry into ASEAN. Here, we see that auto production in 2014 actually declined by 24% in Thailand to 1.88 million vehicles. At the same time, production in India fell 2% to 3.84 million units. However, production in Indonesia has risen for the past five consecutive years, reaching a record 8% growth to 1.3 million vehicles. From an overall standpoint, auto production in the region is growing. While the economic outlook for the leading economic powers remains murky, we expect that active investment by foreign companies and an expanding middle class will drive strong economic growth in ASEAN and India for the foreseeable future.

Fiscal 2014 Results

Fiscal 2014 showed significant gains despite deceleration in the important Thai automotive market and weakness in the Singaporean chemicals business. This growth was mainly due to gains in Vietnam, Indonesia and India—areas we are looking to for ongoing growth.

Meanwhile our Regional Operating Centre (ROC) is working to provide integrated inter-regional functions in the area. The ROC continued to expand our sourcing business for chemicals in China, to bolster cross-regional marketing for Hayashibara products, and to promote our packaging business in the region. The ROC has also made strides in further improving our ability to concentrated purchasing of resins. We have also been able to make use of integrated core IT systems and to improve our human resources systems across the region, leading to more consistent operations management.

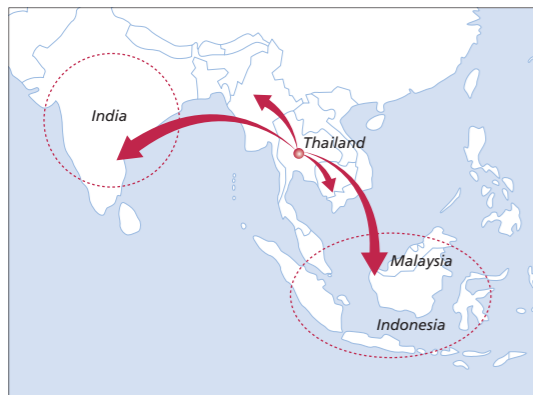
Fiscal 2015 Strategies

During fiscal 2015, the ROC will be responsible for shoring up our network in China (China, Taiwan), as well as marketing products from Group companies, including Nagase FineChem Singapore, Nagase ChemteX, Engineered Materials Systems, and Hayashibara. In the three major ASEAN markets of Singapore, Thailand, and Malaysia, we plan to pursue cooperative business arrangements with local partners to promote businesses that originate wholly within these regions. In the ASEAN growth markets of Vietnam, Indonesia, and the Philippines, we plan to find and promote investment projects, while at the same time adding strength to our intra-regional networks in developing ASEAN economies, including India, Bangladesh, and Myanmar. We intend to add new bases to our existing networks in Myanmar and southern India (Chennai) to hasten the pace of development in those regions.

TOPICS

Regional expansion and more locations for our Thailand spec business

The consolidation of operations and R&D functions for automotive and component makers in Thailand means that an increasing number of decisions regarding specifications for global car models are being made in that country. Our Regional Operating Centre is helping coordinate our businesses inside the region, which should help us generate even more success stories in Thailand. During 2014, we widened our focus to include Cambodia and Pakistan. In 2015, we will open a branch in Chennai, India as one more measure to strengthen network coordination.



NAGASE's Strengths 2

Manufacturing and Processing Functions / Research and Development Functions



While the NAGASE Group has worked from day one to expand our business as an almost exclusive importer and agent for foreign companies, changes in the market structure of Japan have meant that our competitive advantage here has declined over time. In response to this trend, we envisioned a new business model for the NAGASE Group in the year 2000, strengthening our manufacturing functions to add greater value and improve the quality of our business offerings. Today, the NAGASE Group counts 48 manufacturing and processing companies in our family. As a Group, we deal in pharmaceuticals, functional polymers, electronics materials, plastics, cosmetics, and functional food ingredient production and processing, creating our own value-added products in addition to providing services as an intermediary. The NAGASE Group R&D Center works closely with our manufacturing companies, performing research and development activities across all fields. In this way, we integrate our

strengths as a trading company with those of a manufacturing, processing, and R&D firm. Nagase has shifted away from our previous business model that focused on materials exploration to one that is driven by application proposals and joint development. We believe this is the best way to meet the needs of our customers and differentiate ourselves from the competition.

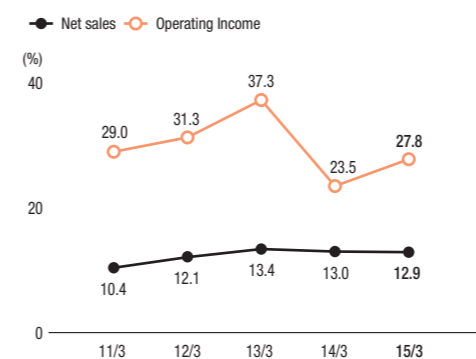
See page 42 Nagase ChemteX Corporation

See page 44 Hayashibara Co., Ltd.

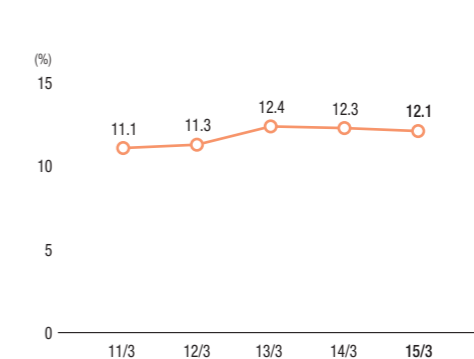
See page 46 Nagase R&D Center

See page 47 Nagase Application Workshop

Manufacturing Ratio (Net Sales and Operating Income)



Gross Profit Ratio



Nagase ChemteX Corporation

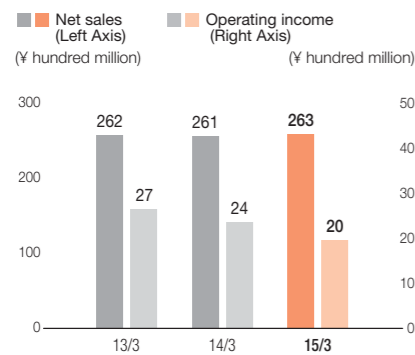


Nagase ChemteX Corporation
Representative Director and President

Akihiko Isono

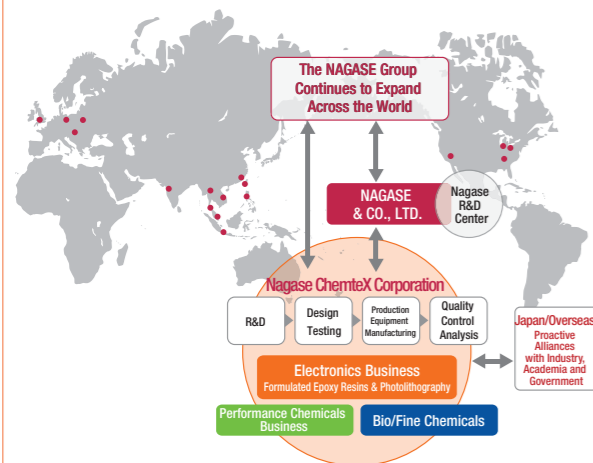
Nagase ChemteX Corporation occupies the central role in Group manufacturing. Leveraging our long-accumulated proprietary technologies of synthesis, compounding, biotechnology and evaluation. We are a chemicals manufacturer offering a unique line of products and posting a high share of the market in niche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

Net sales/Operating income



Major Market Trends

The electronics field experienced significant growth for the year, pushed by an expanding smartphone market and related needs for small- and medium-sized high-definition displays and electronic components. Meanwhile, our tablet and organic EL business struggled throughout the period. Although we expect to capture a greater share in the large Chinese-made smartphone market, downward price pressures will make the business a challenge, despite our ability to move more units. Several of our new products have been adopted in the automobile and other transport equipment fields. We believe these new products will make a significant contribution to future revenues.



Fiscal 2014 Results

Net sales for fiscal 2014 amounted to ¥26.32 billion (0.8 percent year-on-year increase), while operating income came in at ¥2.04 billion (15.0 percent decline). While we recorded strong sales of sealants for electronic components used in smartphones, price declines in display materials led to overall revenue decreases.

Production System

To improve safety awareness, we built a safety training room, which is a facility that provides simulations of different crisis conditions. We expect this facility to become operational during fiscal 2015. Our Harima office business acquired JIS Q 9100 certification for its growing aircraft business. In terms of energy cost reductions, we made good use of energy conservation subsidies, upgrading freezers and installing a new boiler water supply. We plan to continue to implement policies and find other ways to conserve energy at our facilities.

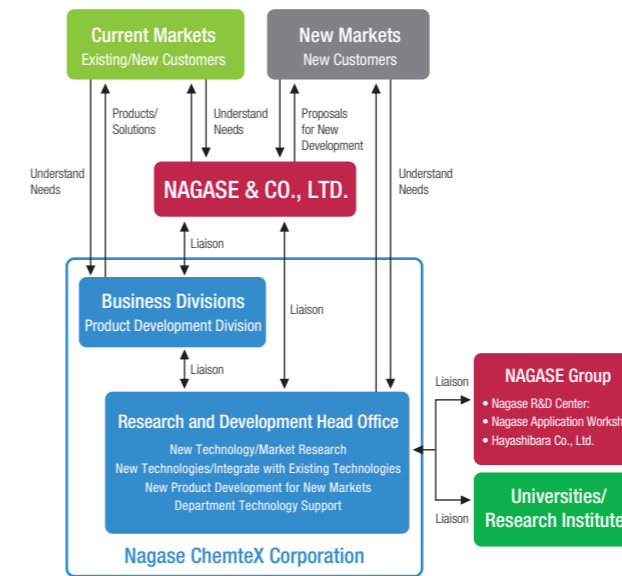


Harima office: Safety Training Area

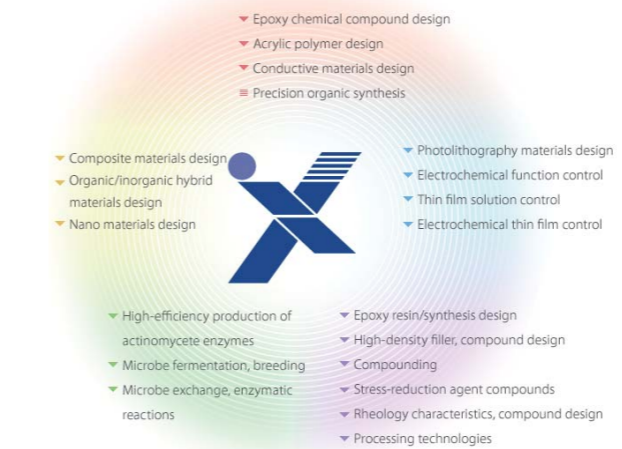
New Enzyme Production System

Currently, we employ a total of 160 staff who work in departmental product development or at our Research and Development head office. Staff working at our head office are responsible for creating new businesses and providing technical support to our departments. Our division product development departments work closely with customers to understand their needs, quickly developing new products and improving existing products. The Research and Development head office coordinates with entities through the NAGASE Group, analyzing technology trends and noting market needs. The Research and Development head office also pursues joint development projects with universities and research institutes to find emerging business opportunities. During fiscal 2014, the Research and Development head office made breakthroughs in a number of medical materials technologies.

Research and Development Organization



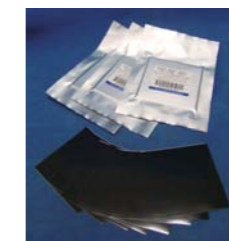
Nagase ChemteX Corporation Component Technologies



Fiscal 2014 Operations

Electronics Business

The Electronics business performs product development and production based on advanced formulated epoxy and photolithography technologies. Sales of adhesives for EV/HEV motor sealants and hollow seal sheets for high-frequency devices outperformed the prior year, these gains were offset by delays in mass production of liquid sealants for semiconductors. As a new product, we began selling resins for use in hydrogen fuel cell tanks installed in automobiles. Our chemicals products sales were only level with the prior fiscal year for our chemicals business as a whole. While we experienced favorable sales of processing chemicals for LCD displays manufactured in our Sakai Factory sales of processing chemicals for touch panels were sluggish throughout the period.



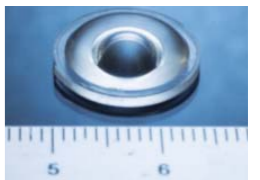
Hollow Seal Sheet Material

Performance Chemicals Business

In our Performance Chemicals business, we were able to expand our offerings of functional materials based on unique organic synthesis technologies, polymer synthesis technologies, and a variety of formulation technologies. We introduced new grades of epichlorohydrin conductors featuring products offering lower levels of chlorine and higher purity, leveraging our proprietary synthesis technologies to introduce new applications in electronics materials. Our development work also resulted in new bio-based epoxy compound products, which we have started to introduce to the market. In organic/non-organic hybrid materials, we developed new grades of transparency, heat resistance, and durability for even more applications in the optics field. Denatron is our conductive polymer coating material product. Here, we added a new highly conductive version to our existing antistatic version, making use of these unique characteristics both in displays and in other applications we are currently pursuing.



Glass-Replacement Film



Automobile Lens

Bio/Fine Chemicals Business

The Bio/Fine Chemicals business manufactures and sells our proprietary enzyme products, mainly to customers in the food industry. Continuing from the prior year, we have expanded our lineup of enzyme producers that are manufactured in compliance with Kosher and Halal certification. We have focused on developing applications for foods, actively offering valuable ideas to our clients and marking steady sales growth of new products in Japan and overseas. We continue to see stable sales of phospholipids (proprietary converting enzymes) in Japan, and we are looking at ways to grow sales of this product in overseas markets.

Fiscal 2015 Strategies

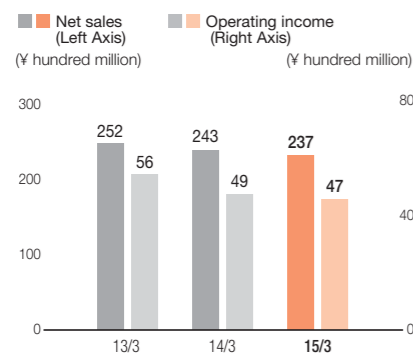
During fiscal 2015, we will change our organization into a business division organization, engaging in central management of product development, trial production, volume production, and market introduction. We believe this new organization will allow us to bring products to market more rapidly and at more competitive costs. We plan to focus on the most promising growth categories for research and development, leveraging the domestic and international network of the NAGASE Group and the vast information resources available. Our goal is to create new products and businesses, combining our own unique elemental technology development with external technologies from universities, research institutes, and other entities. Further, we intend to improve productivity and strengthen our production foundation as a manufacturer, exemplifying operational safety, production technologies, and quality assurance. We will continue to play a central role in the R&D and manufacturing functions of the NAGASE Group, seeking to further improve the quality of our technology management.



Hayashibara Co., Ltd.
Representative Director and President
Osamu Morishita

Our business is divided mainly into two categories. Our functional saccharides business leverages biotechnology to manufacture and sell functional saccharides, including food materials (TREHA™, Hayashibara Hesperidin S), cosmetics materials (AA2G™, stabilized vitamin C), and pharmaceutical materials (Maltose). Our functional dyes business utilizes organic synthetic technologies to offer products in commercial photography and display, as well as pharmaceuticals (LUMIN™-A), and *in-vitro* diagnostics in the life sciences field. As a member of the NAGASE Group, we focus management resources mainly on our own research and development, while at the same time accelerating the pace of globalization in our business. As we speed up the product development cycle and improve our production capabilities, we also work to ensure stable food supplies, to promote global standards in food safety, and to improve the quality of our management.

Net sales/Operating income



Fiscal 2014 Results

Net sales for fiscal 2014 amounted to ¥23.7 billion, which was a 2 percent year-on-year decrease. This result was mainly due to a colder-than-usual summer, driving down the market for beverages and cosmetics. Sales of our mainstay TREHA™ product within our food materials business, which accounts for 70 percent of worldwide sales, remained nearly level with the prior fiscal year. Meanwhile, sales in our cosmetics materials business struggled in overseas markets.

Production System

During fiscal 2012, we became certified under the FSSC 22000 global food safety standards at our Okayama functional saccharide plant, which manufactures our TREHA™ functional saccharide. Looking to even higher levels of quality and customer satisfaction, we acquired ISO 9001 certification during fiscal 2013. In addition, we are working towards Kosher and Halal certification to increase opportunities for sales in overseas markets.

During fiscal 2014, we completed construction of two new factories to replace the Okayama Plant I. This new plant will reflect our approach to food safety, as well as ensure the stable supply of existing products. It will also function as a pilot plant for new product development. The plant features advanced energy-saving functions and flexibility in manufacturing a number of different types of products.



Okayama Functional Saccharide Plant, S Building

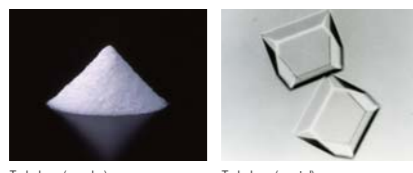
New Okayama Plant I

Major Market Trends

Our products receive high marks not only for their physical properties, but also for their functionality. Our product lines range from the food and cosmetics markets to the medical and industrial fields. In particular, recent consumer interest in health and the demographic shift toward an aging population lead us to project much higher demand in functional raw materials for the health, nutrition, and beauty sectors. We believe our superior products will meet the needs of customers in these markets.



Hayashibara Products



Trehalose (powder)

Trehalose (crystal)

Research and Development Organization

Microorganism screening and other new technologies derived from years of expertise have put us on the course to developing new saccharides that utilize new enzymes that we have researched. We collect evidence about market needs, working closely with our customers to rapidly bring new products and applications to the market. At the same time, we take steps to both protect and exploit our research results. These measures include registering intellectual property and searching for strategic license arrangements. Moving forward, we will be working even more closely with Nagase ChemteX and the Nagase R&D Center to leverage the capacity of the entire NAGASE Group for research and development.



Research into cosmetics compound formulas

Fiscal 2014 Operations

Functional Saccharides Business

Our goal is to expand the applications of our functional saccharides beyond those mainly associated with confectionery. We are developing applications in cooked rice, bread, noodles and other staple foods, as well as prepared foods, beverages, and processed foods. During fiscal 2014, we accelerated the introduction of fertilizer, feed, nursing care food, and other products that we have combined with TREHA™. We are working toward lateral extension of these products, appointing managers to the highest-priority of these new fields, and charging them with growing new business. In addition, we plan to introduce more applications for foods specified health claims, incorporating the effects of our Hayashibara Hesperidin S, which reduces neutral fats in blood. Isomaltodextrin is a new dietary fiber for which we are developing applications and collecting evidence for market potential.



TREHA™



Hayashibara Hesperidin S

In fiscal 2013, we moved sales operations (excluding domestic food operations) under NAGASE & Co., Ltd. management to take better advantage of global opportunities. Now, we work with the NAGASE Group across the board, sharing domestic and international strategies with the Life & Healthcare department and local entities. We coordinate with these entities regarding trade shows, marketing materials development, and other marketing tasks, and we work closely with Hayashibara R&D Center to develop new functions for existing saccharide products. Further, we are now taking advantage of the power of the NAGASE Group in growing our global business. Not only do we obtain export permissions



Press conference and seminar about Hayashibara products in bread



Co-sponsor of the Nikkei Restaurants Magazine Menu Grand Prix

for exporting our own products, we also obtain permissions for our customers who want to export their end products overseas.

Functional Dyes Business

In our functional dyes business, we have successfully extended applications of the dyes we manufacture beyond photography and printing plate commercial sectors into test agents and other life science fields. We are also expanding into the display business, including promising polarizer products. Further, as we work on dyes business projects in cooperation with other NAGASE Group affiliates, we continue to find ways to meet client needs through the development of new materials and other proposals. Our LUMIN™-A dye formulation has enjoyed many regular customers who have relied on this product as a pharmaceutical. Moving forward, we plan to redesign our marketing materials and work more closely with sales agents to add a new customer base on top of our regular customers.



Functional Dyes Business Website



Factory tour attended by LUMIN dealers

Fiscal 2015 Strategies

Our most important project during fiscal 2015 is the move to our new factory from our old Okayama Plant I. This move will bring big advances in safe manufacturing and move us into an environment in which we can truly make a difference in helping people live healthier lives. This new plant represents the foundation from which we plan to grow in the future.

In the three years since the start of the new Hayashibara, we have made company systems and structures our primary consideration. Moving forward, however, we will accelerate our growth, dealing directly with core business issues of where and how to conduct manufacturing and what markets to attack. Specifically, we plan to expand capacity to our TREHA™ production system, improve our overseas marketing, introduce new products to the market, and establish a stronger platform for mass production. In addition, we will work on our application development skills to create new value out of our proprietary products. Meanwhile, we see that the world is becoming much more competitive in technology development. The new Hayashibara has entered its second stage of development. Now it is time for us to make full use of our research and development capacity, creating new materials, new products, and new markets.



Division Manager, Nagase R&D Center

Liu Xiaoli

The Nagase R&D Center is responsible for the technologies and information that drive the NAGASE Group manufacturing, processing, research, development, marketing, and trading functions. The Center plays a central role in creating high value-added business models to give Nagase a unique competitive advantage. The corporate research department conducts research and development in pursuit of their mission to develop products and services based on foundational biotechnologies and biotechnology development that lead to the creation of future NAGASE Group businesses. The watchwords of this department are unique, independent, and innovative. The Center will continue to work in close coordination with each department, sales group, and affiliated manufacturing company to offer technology-based solutions that meet the needs of the market and our customers.

Research departments that report directly to business units conduct products research and development for cosmetics, health foods, medical materials, and clinical testing tools.



GM, Nagase Application Workshop

Tetsuya Asakawa

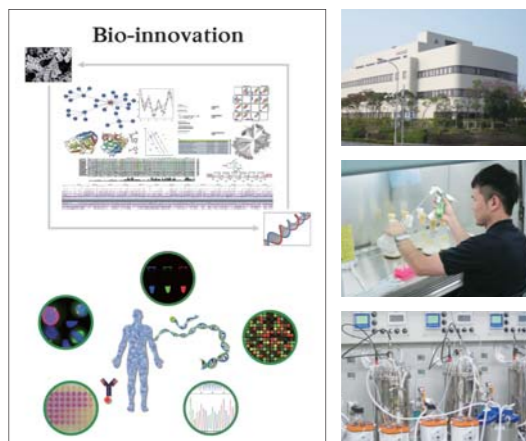
The Nagase Application Workshop (NAW) is home to specialized equipment and expert staff capable of conducting raw materials analysis, application development, and final product formulation for plastics and coating materials. This organization is responsible for technological development, incubation, and research. Nagase has created a unique business model by adding research and development, manufacturing, processing and other functions to the traditional trading company format. Through its technological development function, NAW combines the materials and processing technologies from Group manufacturing companies and other business partners to propose innovative solutions that meet the needs of customers and the market, after these needs have been identified by the NAGASE Group marketing function. This is just one way in which Nagase proves itself to be a unique evolution of the traditional trading company model of business. The NAW is home to a multi-purpose testing lab that acts as a technology incubator. Here, we support next-generation business development for our business departments and affiliated companies, utilizing the NAW facilities and the experience and expertise of our development staff. The NAW will continue to create new and unique solutions for Nagase businesses to market. As a technology research center, the NAW is also responsible for supporting NAGASE Group sales staff worldwide, offering training and education programs that support our reputation as a leading technology company.

Biotechnology and Topics

- 1 Bio Process Development using *Streptomyces*
- 2 Biochemical Development Based on Synthetic Biology and Information Technology
- 3 Implementation of Industrial Production of Eco-conscious Fine Chemicals
- 4 Development of Functional Ingredients from Natural Resources
- 5 Discovery and Development of Tools for Clinical Diagnosis
- 6 Regenerative Medicine/Discovery and Development of Bio-Pharmaceutical Materials
- 7 Development of Medical DDS (drug delivery system)
- 8 Research Project Initiation Focusing on Sustainability

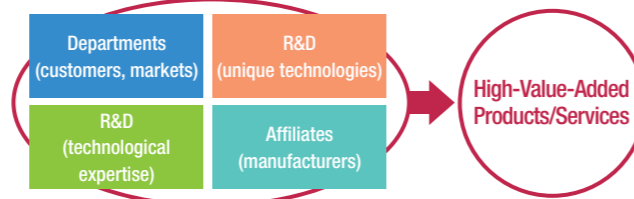
Achievements in Fiscal 2014

- 1 Development of Specialty Chemicals Using Biotechnology
- 2 Development of Eco-conscious Personal Care Ingredients (R&D StageGate achievement)
- 3 Bio Ingredients Development from *Lactobacteria*
- 4 Study on Functions and Mechanisms of Active Ingredients Derived from Fermentation
- 5 Bioremediation Using Bio Capsules (published)
- 6 Reaction Mechanism Study of New Bio-mass Degrading Enzymes (published)
- 7 NAGASE Group Intellectual Property Protection Activities



Fiscal 2015 Strategies

To create new businesses, we have narrowed the focus of the Nagase R&D Center to bio-related technologies, delving deeper into our own feature technologies and advancing technological application development. More specifically, we are working to further improve our strengths in genetic engineering and bioinformatics technologies. We hope this will lead to the rapid commercialization of chemicals produced for the purpose of environmental preservation based on our proprietary actinomycete cell factory production technologies. In addition, we plan to work even more closely with universities and other outside research and development institutions to build out our portfolio of technologies that tie foundational research to commercialization. Meanwhile, we will exercise our ability to judge and perform feasibility studies on promising biotechnologies to initiate projects for developing innovative products. These new products will go on to become the basis for new businesses, as we continue to work closely with business departments and affiliated manufacturing companies in each stage of the process.

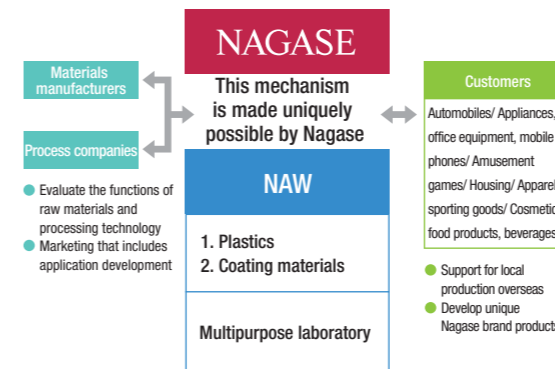


Intellectual Property Administration and Usage

Beginning fiscal 2015, the intellectual property team within the Nagase R&D Center will turn their focus from technological issues to intellectual property management. The team will be more active in filing for patents related to the intellectual assets resulting from our research and development and technology development activities. This team will also be charged with proposing patent strategies for building new businesses, helping guide research and development from a strategic business perspective. The team will work with the Intellectual Property Office to manage and utilize NAGASE Group intellectual property, securing patent rights and coordinating strategically with departments at our affiliates.

| | Fiscal 2014 | | Cumulative Total (to Fiscal 2014) | |
|----------------------------------|-------------|-----------------------|-----------------------------------|-----------------------|
| | In Japan | Overseas ² | In Japan | Overseas ² |
| Patent applications ¹ | 7 | 10 | 868 | 428 |
| Patents ² | 0 | 1 | 199 | 208 |

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



Main Functions

1. Plastics

Formula design by expert technicians, test production of compounds (mainly via twin-screw extruder), test production of molded plastic products (via injection molding), physical property assessment using various evaluation equipment

(Equipment) • Twin-screw extruders (18 mm L/D = 44 and 26 mm L/D = 64) • Henschel mixers - Injection molding machines (80 t and 110 t) • Analytical equipment (thermal analysis equipment, FT-IR, etc.) • Physical property measurement equipment (tensile strength, bending, shock testing equipment, HDT testers, etc.) • CCM (computer color matching system)

2. Coating Materials

Coating and ink formulation by expert technicians, test production of coatings and inks using various evaluation equipment, physical property assessment using various evaluation equipment.

(Equipment) • Dry type paint booths • Dispenser (paint conditioner, horizontal, vertical bead mill) • UV curing system, drying oven • Environment testing equipment (xenon WOM, SUV weathering test equipment, salt spray test equipment, constant temperature/humidity oven, etc.)

3. Multipurpose Laboratory

By assigning technical staff from departments, related companies, and affiliates to the NAW multipurpose laboratory to work with respect to themes related to plastic, coating, ink, and other compound technologies, dyes/additives, filler, and other materials technologies, and color, surface treatment, and printing technologies within various themes developed within the NAGASE Group, NAW facilities and NAW staff-provided technical support are effectively used, leading to faster development speed.

Current Major Projects • Develop digital printing technologies • Develop in-mold transfer foils manufacturing technologies • Develop LED UV lamp-compatible UV-cured ink/ coating materials • Develop LED lighting module components

Throughout fiscal 2014, we received a number of inquiries and requests from customers, materials manufacturers, and processing companies based on our reputation for conducting applied technology development that meets true market needs. We received representatives from more than 180 companies, in addition to more than 170 requests for test development. The Nagase Application Workshop is indeed playing an active role in the growth and brand recognition of the NAGASE Group.

Plastics

- Develop plastic materials for molding with automotive industry parts makers (Tier1, Tier2). Weight savings, high-grade treatment, improvement in scratch resistance, etc.
- Develop masterbatches for halogen-free flame retardants for use in nylon resins.
- Development compounds/masterbatches for resins featuring new anti-static properties
- Develop functional additive masterbatches that expand degrees of freedom for plastic materials procurement overseas
- Develop the original resin grades that make use of recycled materials
- Develop specialized car seats made from polyurethane offering improved air flow
- Develop transparent, rigid resins for use in cosmetics and medical materials

Coatings

- Leverage technological support to make effective proposals for coating raw materials and functional materials sales overseas; this in turn will contribute to more rapid development cycles and greater sales
- Develop thermal shielding coatings, rust-proof coatings, special coatings using nano-silver particles, and functional coating materials, developed jointly with external partners
- Develop new radiant materials and pigment dispersants in cooperation with raw materials manufacturers
- Support overseas raw materials manufacturers in application development for the Japanese market

Fiscal 2015 Policies

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

During fiscal 2015, we will work with greater urgency to deliver marketable results from application development and new business presently in the works at Nagase departments and affiliate companies. In particular, we will concentrate on composite plastics, coatings, and printing technologies for surface treatment techniques leading to commercialization in the automotive, electronic devices, medical, and cosmetics industries.

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

NAGASE Group Sustainability

Management Philosophy

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

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Corporate Governance

Directors, Audit & Supervisory Board Members and Executive Officers (As of July 1, 2015)

Directors



Hiroshi Nagase
Representative Director and Chairman



Reiji Nagase
Director and Vice Chairman



Kenji Asakura
Representative Director, President and CEO



Mitsuro Naba
Representative Director and Managing Executive Officer
Corporate Administration



Hiroshi Hanamoto
Director and Managing Executive Officer
General Executive, Electronics Segment
Nagase Application Workshop
Manufacturing



Osamu Morishita
Director and Managing Executive Officer
General Executive, Life & Healthcare Segment
Hayashibara Co., Ltd.,
Nagase R&D Center



Kohei Sato
Director and Executive Officer
General Executive, Functional Materials Segment
General Executive, Automotive & Energy Segment
America, Europe



Ichiro Wakabayashi
Director and Executive Officer
General Executive, Advanced Materials & Processing Segment
CEO, Asia, ASEAN, India, and Korea

Executive Officers

Akihiko Isono
Managing Executive Officer
Nagase ChemteX Corporation

Takaaki Hirai
Executive Officer
GM, Beauty Care Products Department

Katsuhisa Yamaguchi
Executive Officer
Greater China CEO

Mitsuru Kanno
Executive Officer
GM, Colors & Advanced Processing Department

Masatoshi Kamada
Executive Officer
GM, Electronic Materials Department

Masanori Furukawa
Executive Officer
Hayashibara Co., Ltd.

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

Satoru Morita
Executive Officer
Nagase ChemteX Corporation

Masaya Ikemoto
Executive Officer
GM, Automotive Solutions Department
Nagoya Branch

Yasuhiro Mihara
Executive Officer
GM, Speciality Chemicals Department

Naoki Yasuba
Executive Officer
GM, Life & Healthcare Products Department

Outside Directors



Yasuo Nishiguchi
Outside Director
1975 Joined Kyoto Ceramic Co., Ltd. (currently KYOCERA Corporation)
1987 Director, KYOCERA Corporation
1992 Representative Director, Managing Director, KYOCERA Corporation
1997 Representative Director, Vice President, KYOCERA Corporation
1999 Representative Director, President, KYOCERA Corporation
2003 Representative Director President and Managing Executive Officer, KYOCERA Corporation
2005 Representative Director, Chairman and CEO, KYOCERA Corporation
2006 Director, Consultant, KYOCERA Corporation
2007 Consultant, KYOCERA Corporation
2009 Retired from KYOCERA Corporation
2012 Current position



Hidenori Nishi
Outside Director
1975 Joined Kagome Co., Ltd.
2000 Director, Kagome Co., Ltd.
2003 Director, Executive Officer, Kagome Co., Ltd.
2005 Director, Managing Executive Officer, Kagome Co., Ltd.
2008 Director, Senior Managing Executive Officer, Kagome Co., Ltd.
2009 Representative Director, President, Kagome Co., Ltd.
2014 Representative Director, Chairman, Kagome Co., Ltd.
2014 Current position

Audit & Supervisory Board Members



Hideo Yamashita
External Audit & Supervisory Board Member
1972 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
2000 Head Office Senior Management Staff and, General Manager, Kanda Corporate Banking Dept at The Sumitomo Bank Limited
2004 Retired from the Sumitomo Mitsui Banking Corporation
2004 Current position



Kenichi Matsuki
Audit & Supervisory Board Member
1974 Joined NAGASE & CO., LTD.
2015 Current position



Masahiko Hamaguchi
Audit & Supervisory Board Member
1982 Joined NAGASE & CO., LTD.
2013 Current position



Toshio Takano
External Audit & Supervisory Board Member (part-time)
1987 Deputy General Manager of the Special Investigation Department of the Tokyo District Public Prosecutors Office
2001 Superintendent Public Prosecutor of the Sendai High Public Prosecutors Office
2004 Superintendent Public Prosecutor of the Nagoya High Public Prosecutors Office
2006 Takano Law Firm
2008 Current position

Corporate Governance Overview

| | | |
|---|--|---|
| Corporate Governance Structure | Director Term of Service One Year <small>(same for outside directors)</small> | Number of Independent Directors 4 <small>(all outside directors)</small> |
| Institutional Format Corporation with Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board) | Total Number of Directors 10 | Number of Outside Directors 2 |
| Executive Officer System Adopted Yes | Total Number of Audit & Supervisory Board Members 4 | Number of Outside Auditors 2 |
| Number of Board of Directors Meetings | 14 <small>(Attendance by Outside Directors) Mr. Yasuo Nishiguchi 100%; Mr. Hidenori Nishi, 100% (Attendance by Outside Corporate Auditors) Mr. Hideo Yamashita, 100%; Mr. Toshio Takano, 100%</small> | Number of Audit & Supervisory Board Meetings |
| Compensation Committee Yes | 13 <small>(Attendance by Corporate Auditors) Mr. Hideo Yamashita, 100%; Mr. Toshio Takano, 100%</small> | Independent Auditors Ernst & Young ShinNihon LLC |

Mr. Nishi was named an outside director in June 2014. As such, his activity as outside director reflects his involvement since that time.

Executive Structure

Under a corporate system that adopts an Audit & Supervisory Board, Nagase introduced the executive officer system in June 2001. The Company's current management framework consists of ten directors (including two outside directors), 17 executive officers (six of whom concurrently serve as directors), and four corporate auditors (including two outside corporate auditors). The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. Holding a regular monthly meeting, the Board of Directors reviews and formulates measures regarding important decisions and tracks business performance.

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

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

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

Director Compensation Committee:

With the majority of its members made up of outside directors, the Compensation Committee ensures the objectivity and transparency of the Company's directors and executive officers in the decision-making

process regarding compensation by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

Risk Management & Compliance Committee:

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

Internal Control Committee:

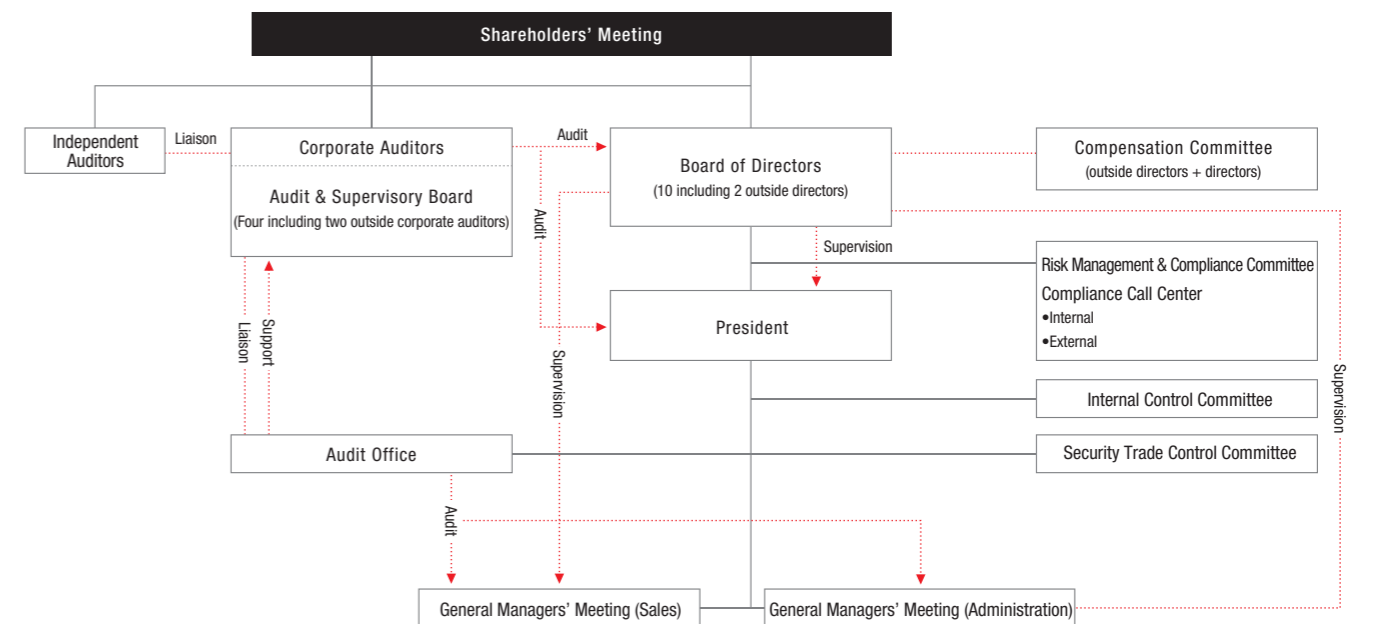
The Internal Control Committee documents the company-wide internal control conditions and financial statement preparation process to further enhance its financial reporting credibility, while maintaining and strengthening a structure to carry out evaluation and improvements.

Security Trade Control Committee:

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

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

Nagase Corporate Governance System



Director Compensation

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

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

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

(Millions of yen)

| Title | Total Compensation | Total Compensation by Type | | Number of Eligible Directors |
|---|--------------------|----------------------------|-------|------------------------------|
| | | Basic Compensation | Bonus | |
| Directors (excluding Outside Directors) | 271 | 183 | 87 | 8 |
| Corporate Auditors (excluding Outside Corporate Auditors) | 44 | 44 | — | 2 |
| Outside Officers | 46 | 46 | — | 5 |

Important Matters regarding Employee Bonuses for Employees Also Serving as Directors

(Millions of Yen)

| Total | Number of Eligible Directors | Comments |
|-------|------------------------------|--|
| 40 | 4 | Paid in an amount equivalent to employee bonus |

Internal Audit System

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities including affiliated companies. The Audit Office is staffed by 12 employees, including certified public accountants, certified internal auditors (CIA), qualified internal auditors (QIA) and other individuals who possess specialized knowledge in internal audits. The Audit & Supervisory Board consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance and accounting.

The Company established the Audit Office to also ensure corporate auditors' auditing effectiveness, supplying staff upon request to support the corporate auditors' work. The Audit Office and the Audit & Supervisory Board regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries, while holding meetings twice a year with affiliate companies' auditors. In addition, they perform wide-ranging liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase Corporation's independent auditors, regarding accounting matters and associated internal controls; maintaining a presence during accounting audits; and cooperating as needed with audits conducted at affiliated companies, including those located overseas. Corporate auditors work with independent auditors on a daily basis. As well, the Audit & Supervisory Board meets with the Company's independent auditors twice yearly.

Nagase established the Internal Control Committee and the Committee Affairs Bureau in its internal control section, and the Audit Office serves as the Company's independent internal auditor. The Audit Office reports results of its internal operational audits to the Internal Controls Committee. The Internal Controls Committee regularly reports on the status of internal controls to the Audit & Supervisory Board and the Company's external auditor.

Audits by certified public accounts are performed in a fair and unbiased manner by a staff of 36, which includes the following specified limited-liability partners and accountant trainees.

Independence Standards and Policies for Outside Directors

At present, the Company has not established standards or policies for outside directors' independence; however, the company does take into consideration independence standards determined by securities exchanges when outside directors are selected.

The Company has designated a total of four outside directors as Independent Directors: Mr. Yasuo Nishiguchi and Mr. Hidenori Nishi as outside directors, and Mr. Hideo Yamashita and Mr. Toshio Takano as outside auditors.

| Certified Public Accountants | Auditing Firm | |
|---|----------------|-----------------------------|
| Specified limited-liability partners Managing partners | Takao Okamoto | Ernst & Young ShinNihon LLC |
| | Hideo Yamamoto | |

| Category | Name | Reason for Appointment | Major Actions in Fiscal 2014 |
|--|------------------|--|--|
| Outside Directors | Yasuo Nishiguchi | Mr. Nishiguchi has served in management positions at KYOCERA Corporation. He has a wealth of knowledge and experience to call on in offering expert industry management advice to the Company, which we expect will lead to stronger corporate governance. | Mr. Nishiguchi attended all 14 Board of Directors meetings (100% attendance), offering appropriate opinions and advice. |
| | Hidenori Nishi | Mr. Nishi has a wealth of knowledge and experience in corporate management, serving for many years in management positions at Kagome Co., Ltd. We believe he will be able to call on this experience in offering expert industry management advice to the Company, which we expect will lead to stronger corporate governance. | Mr. Nishi attended all 10 Board of Director meetings (100% attendance), offering appropriate opinions and advice. (Mr. Nishi was named an outside director in June 2014. As such, his activity as outside director reflects his involvement since that time.) |
| External Audit & Supervisory Board members | Hideo Yamashita | Mr. Yamashita has a wealth of knowledge and experience in the workings of financial institutions, serving many years in various positions in Japan and overseas. We believe he will be able to call on this wisdom and experience to properly conduct his duties as an outside corporate auditor. | Mr. Yamashita attended all 14 Board of Directors meetings (100% attendance), as well as all 13 Audit & Supervisory Board meetings. Mr. Yamashita offered appropriate opinions based on his breadth of knowledge from serving in financial institutions overseas. |
| | Toshio Takano | Mr. Takano served many years in the Lawyers Association gaining experience and knowledge. We believe he will be able to call on his expertise to properly conduct his duties as an outside corporate auditor. | Mr. Takano attended 14 Board of Directors meetings (100% attendance), as well as all 13 Audit & Supervisory Board meetings (100% attendance). Mr. Takano offered appropriate opinions based on his expertise as an attorney. |

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

Policies related to Company Information Disclosure

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

This basic philosophy guides us as we conduct timely, appropriate,

and fair disclosure of information through IR activities, public relations programs, and websites for our shareholders and investors to improve management transparency and accountability.

See Timely Disclosure System on our corporate website for more.

Business Continuity Planning

Fiscal 2014 Results

During September 2014, the Group conducted initial response training at the Tokyo Headquarters, Osaka Headquarters, and Nagoya branch office. The training tested the response of the Fire Prevention Headquarters, Self-Defense Squad, Facilities Confirmation Team, Information Systems Team, and Logistics Confirmation Team during a simulated emergency. We also held workshops to discuss issues and improvements related to business continuity plans drawn up by each department.

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

Fiscal 2015 Initiatives

As in fiscal 2014, we will continue to conduct emergency response training to improve initial response quality and speed. We will conduct BCP training for the NAGASE Global HRD Center (backup office location) to improve our disaster preparedness and response.

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

Human Rights, Employment Practices

Respect for Human Rights

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

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

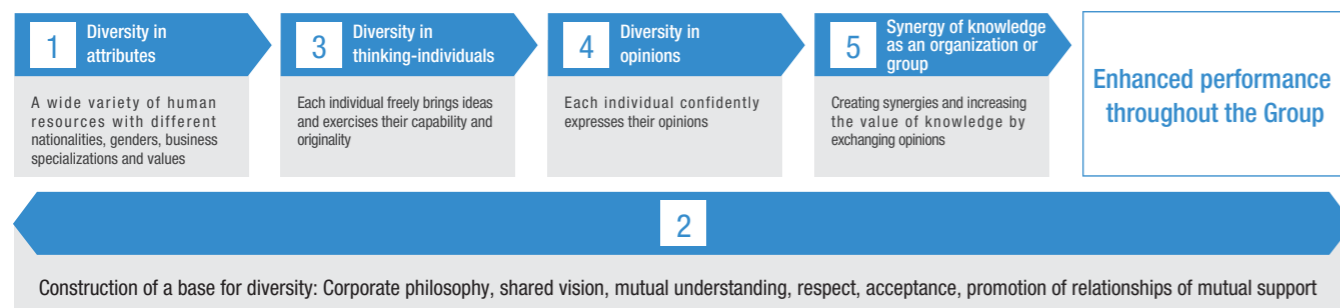
Diversity

1 Basic Stance on Diversity

The NAGASE Group currently employs a diverse range of workers who differ in terms of gender, nationality, age, values and lifestyles. The NAGASE Group believes that corporate culture can lead to the creation of new businesses and improved business performance. Therefore, we want to develop a corpo-

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

Objectives to Achieve through the Promotion of Employee Diversity



Themes for Diversity Promotion

- Sharing corporate philosophy and vision
 - Enhancement of transparency
 - Reinforcing relationships of friendly competition
 - Encouraging new breakthroughs to traditional approaches
 - Eliminating a mindset that leads to gender bias
 - Creating a work environment in which employees feel free to utilize the in-house benefits system
- In-house education**
 - Periodic messages from top management. Broadcasts of related information
 - Instill deeply into Management Philosophy, Nagase Way, Direction, Current Conditions
 - Diversity in organization and individuals**
 - Improve global communications
 - Support for employee career development
 - Continue employing non-Japanese, women for managerial positions; improve corporate culture
 - Develop comfortable workplaces**
 - Instill awareness and activate initiatives for continuity and productivity improvements
 - Support employees who are dealing with home care or other challenges

2 Diversity Initiatives

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

During fiscal 2014, we focused on supporting the participation of our female employees, holding sectional meetings to discuss ways in which our female employees can fully express their talents in our businesses. In February 2015, we held a networking workshop bringing women professionals together from a variety of industries to share ideas about career development, values, work-life balance, and other issues.

Our efforts went beyond merely drafting human resources policies. As one example, we put together a series of case studies highlighting how our policies have made a difference. We sponsor a career support program for women professionals in Nagase, and we have taken other positive steps to make women's issues a more visible part of our business.

Work-Life Balance

1 Basic Stance on Work-Life Balance

Striking a balance between work and life is indispensable to the promotion of employee diversity. Therefore, the Group maintains a comfortable workplace for employees with diverse characteristics to realize a good work-life balance. Nagase believes a good balance between work and life will bring benefits to both the Company and employees, and thus strives to raise awareness in house and develop work-life balance-related systems.

2 Work-Life Balance Initiatives

The monthly meeting of the Safety Committee includes a discussion of policies to address excessive overtime. The committee uses the results of workplace surveys to gauge progress, striving with the cooperation of staff and management to make Nagase a better place to work. During fiscal 2014, we expanded our twice monthly no-overtime day to a weekly event, held every Wednesday.



TOPICS

From among 900 companies in Fukui Prefecture, Fukui Yamada Chemical was recognized as one of 14 selected as a Fukui Prefecture Model Company for Childcare.

- Fukui Yamada Chemical has introduced a number of initiatives to be a more family friendly workplace.
- Expected birth rate of 1.69 children per employee family during term of employment.
 - An environment that encourages childcare leave
 - Allowance for childcare leave for both regular and part-time employees
 - Paid time off for nursing care leave
 - Events for employees and their families
 - Management commitment to creating a work environment that inspires loyalty



Professional Development

1 The NAGASE Group Professional Development Policy

The NAGASE Group Approach to Professional Development

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

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

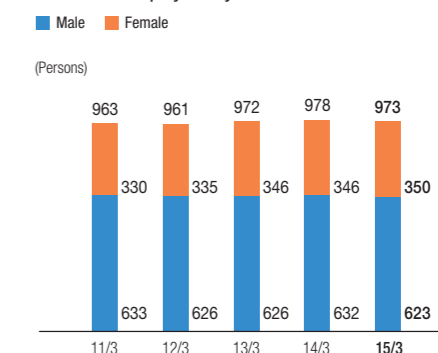
Promoting Group Functions through Organization-Wide Human Resources Development

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

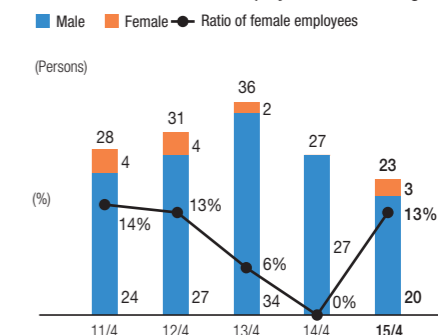
Instilling Our Management Philosophy and the Nagase Way

To drive momentum for global strategy and Group management, we conduct rank-specific Nagase Way training and Nagase Way workshops in each of our businesses. These are just a few of the ways that we continue to instill a better understanding of our management philosophy and the Nagase Way among employees.

Number of Employees by Gender



Number of Career-track Employees Hired among New Graduates



2 Major Policies

We have emphasized the following three points to develop professional management skills and business literacy in our pursuit of fostering world-class human resources.

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

We will continue to revise Group education and training programs according to changes in the external business environment and NAGASE Group strategy.

Number of Participants at Main Training Programs

| Training Program | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|---|-------------|-------------|-------------|
| Rank-specific | 527 | 801 | 896 |
| Elective | 14 | 10 | 21 |
| Overseas | 15 | 19 | 16 |
| The Business Leadership Program for Overseas National Staff | 46 | 33 | 42 |

Opening of the NAGASE Global HR Development Center



In May 2014, we opened the NAGASE Global HRD Center in Sendagaya, Tokyo. The Center serves as our base for developing human resources that will lead us toward sustained growth. During the first year of Center operations, we used the facility for a number of different purposes. We held major meetings (joint division council meetings, global meetings, medium-term plan council meetings), training (HR training, group company training, intern training, etc.), product training, professional networking opportunities, and more. A total 3,281 people used the facility during fiscal 2014, including 1,387 room nights and 115 training meetings.

Staff Development Program

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

Environment

Environment Management

Nagase Group Environmental Management Structure

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

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

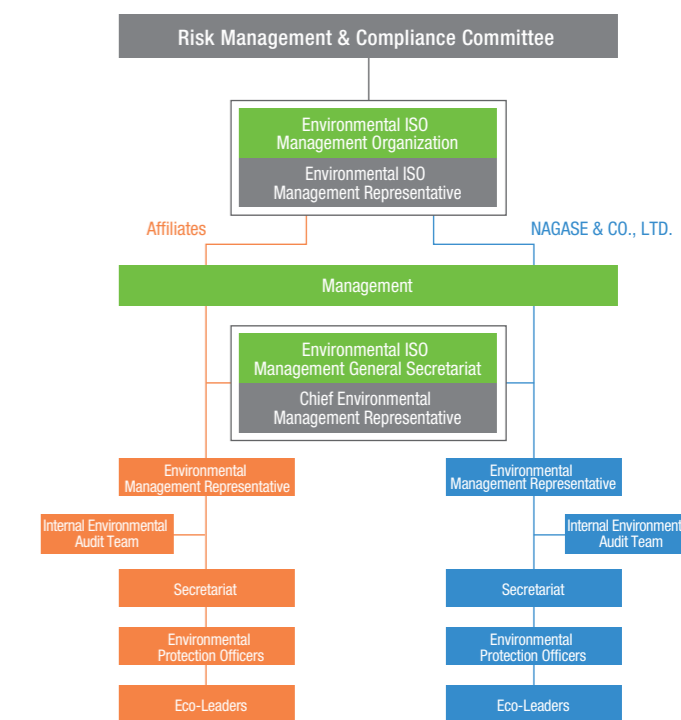
We will continue with activities to improve the environmental management systems among certified Group companies.

Environmental Management Activities

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

Another way we believe we can shrink our environmental footprint

Environment Management Structure



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

This system makes it possible not only to calculate our annual cargo transport volume and CO₂ emissions but to analyze transport routes for optimization, which also helps reduce our CO₂ emissions. In such ways, the NAGASE Group is striving to reduce energy consumption in its logistics operations, thereby contributing to the prevention of global warming.

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

Environmental Policy

1 Comply with all environmental laws, regulations and other rules

We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.

4 Establish and continually improve an environmental management system

We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continuously make improvements to this system by setting concrete goals and working to fulfill them.

2 Develop businesses that give full consideration to environmental issues

We will conduct our business activities in full awareness of the need to preserve the ecosystem and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and economic feasibility.

5 Disclose and make the relevant parties fully aware of our Environmental Policy

We will disclose the Policy to the public and make all who work for the NAGASE Group fully aware of its contents.

3 Fulfill our responsibilities as a good corporate citizen

As a good corporate citizen we will work together with public institutions, industry, and local communities to promote environmental conservation measures that are suitable for the NAGASE Group.

Reducing Our Ecological Footprint

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

In line with revisions made to the Act on the Rational Use of Energy, Nagase has been designated as a specified corporation by the Bureau of Economy, Trade and Industry since its energy usage exceeds fixed levels. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulated medium- and long-term energy reduction plans, and submitted regular reports to the Bureau of Economy, Trade and Industry.

Last year, we introduced building energy management systems (BEMS) at our Tokyo headquarters building and Nagoya branch office. We use automated controls and energy conversation operations during summer peak usage times to keep environmental settings within target levels. The building energy management system gives us more visibility in building operations, allowing us to publish electricity usage to company personnel in real time, helping employees understand the need for and status of our energy conservation.

Environmental Performance Data

Electricity Usage

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|-------------------------|-------------|-------------|-------------|
| Electricity Usage (kWh) | 6,615,595 | 6,091,675 | 5,861,177 |

Waste, Recycling

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|-------------------|-------------|-------------|-------------|
| Waste (t) | 276 | 261 | 188 |
| Recycling (t) | 195 | 210 | 149 |
| Recycling (Ratio) | 71% | 80% | 79.5% |

Participating Companies: NAGASE & CO., LTD.
Period: April 2012 to March 2015

Activities Undertaken by Nagase ChemteX

Nagase ChemteX Corporation, a core manufacturing subsidiary of the NAGASE Group, is promoting energy conservation activities by developing an energy-saving framework at all its facilities. Every Nagase employee is expected to participate in energy conservation activities. These activities include department-by-department energy conservation targets and monitoring, a system of energy conservation improvement proposals, and Energy Conservation Committee staff members, helping reduce greenhouse gases through facilities investment and improvement.

Once again in fiscal 2014, the Kansai Electric Power Co. Inc. asked Nagase to cooperate with energy-saving measures during the hot summer months. We signed a special peak-time adjustment contract to cut 10% of used electricity during July, August, and September. We achieved that goal for all three months of the contract, earning a discount on electricity fees.

Our Harima Plant used subsidies to install advanced high-efficiency low-carbon equipment (high-efficiency water-cooled screw chiller) and renewable heat-energy equipment (underground water heat pump system).

CO₂ Output

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|---|-------------|-------------|-------------|
| CO ₂ Output (t-CO ₂) | 3,063 | 3,186 | 3,154 |

Paper Usage

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|-----------------------------|-------------|-------------|-------------|
| Paper Usage (sheets: 1,000) | 7,951 | 7,720 | 7,264 |
| Paper Usage (t) | 34 | 33 | 31 |

CO₂ Output from Logistics Activities

| | Fiscal 2012 | Fiscal 2013 | Fiscal 2014 |
|---|-------------|-------------|-------------|
| CO ₂ Output (t-CO ₂) | 1,746 | 1,831 | 1,727 |

Fair Business Practices

Risk Management and Compliance

Comprehensive Identification, Understanding and Control of Risks

The Company established the Risk Management & Compliance Committee to put in place a comprehensive structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. This Committee determines committee member functions and authority, creating a structure of clearly defined roles and responsibilities. Under the committee's leadership, department managers address risks in their particular areas by formulating rules and implementing training. The Company also works through the Risk Management & Compliance Committee to develop systems and departments responsible for additional risks that materialize and strives to lower the risks that could impact the Company's business.

In addition, the Risk Management & Compliance Committee formulates the basic compliance policy to develop and maintain the Company's compliance system and uses regular workshops and other initiatives to ensure that

corporate activities are strictly in line with the NAGASE Group Code of Conduct. Should employees of Nagase or its Group companies become aware of legal or other compliance issues, they report to the Risk Management & Compliance Committee, which immediately reports to the Audit & Supervisory Board.

In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly. The Company revised the NAGASE Group Code of Conduct in November 2012, distributing the document to all employees throughout the entire domestic and international Nagase organization. During January 2015, we established the Crisis Management Guidelines. These rules are part of a structural and communications system that allows us to quickly and properly respond as a cohesive organization, gathering information, providing reports, and issuing instructions in the event of a crisis that affects business continuity.

Basic Compliance Policy

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

This policy defines the behavior standards that Nagase and its officers and employees will observe as it carries out its various business

activities. Officers and employees of Nagase must behave in accordance with these behavior standards and endeavor to disseminate them to those within the corporate organization, especially those with whom they work. If circumstances arise that may compromise these behavior standards, officers and employees must work to resolve problems without delay, and improve operations by identifying the causes of problems and taking steps to prevent recurrences.

1 Compliance with laws, regulations and internal rules and regulations

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

2 Elimination of anti-social elements

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

3 Provision of goods and services that are useful to society

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

4 Respect for the qualities and individuality of employees

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

5 Disclosure of information to stakeholders

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

6 Preserving the global environment

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

1 Fair Business Practice Initiatives

1. Basic Approach

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

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

Moving forward, we will continue to educate our employees about laws related to fair business practices, particularly those directly affecting our business. During fiscal 2015, we plan to continue worldwide training and education related to bribery and fraud prevention.

2. Education Activities (2012 -)

September 2012 Company Training on Collusion, Cartels, and the Subcontract Act (NAGASE & CO., LTD.)

Seminar regarding legal remedies and business-related risks in connection with the Antimonopoly Act and the Subcontract Act. Sales personnel (including managers and sales staff) required to attend. Seminars held at the Tokyo headquarters five times, and twice at the Osaka headquarters and Nagoya branch office.

October 2012 Company Training on the Antimonopoly Act (Totaku Industries)

Seminar on business-related risks in connection with the Antimonopoly Act for Totaku Industries employees and management (20 attendees).

January 2013 Company Training on the Subcontract Act (Hayashibara)

Seminar on business-related risks in connection with the Subcontract Act for purchasing and sales personnel, held twice in Okayama.

February 2013 Company Director Training on the Antimonopoly Act (NAGASE & CO., LTD.)

Seminar on the Antimonopoly Act and related legal remedies, conducted for NAGASE & CO., LTD. directors and employees (31 attendees) by Mr. Osanai, Nagase in-house attorney.

July 2013 Company Training on the Antimonopoly Act and Subcontract Act (Nagase ChemteX)

Seminar on business-related risks in connection with the Antimonopoly Act and Subcontract Act, conducted once each at Harima and Fukuchiyama for a total of 71 attendees.

October 15 through 29, 2013; November 6 through 20, 2013

E-Learning on the Subcontract Act (NAGASE & CO., LTD., Affiliated Companies)

Subcontract Act E-Learning training for all Nagase employees and interested affiliated company employees. Final test, eight correct answers to questions required to complete the course. Of 987 Nagase employees, 957 passed the course (97% pass rate). Of 465 affiliated company employees, 459 pass the course (98.7% pass rate).

November 2013 Company Training on the Antimonopoly Act (Hayashibara)

Seminar on business-related risks in connection with the Antimonopoly Act conducted for Hayashibara employees once each in Okayama and Tokyo. Reviewed topics covered during January 2013 seminar and discussed regulations related to sales agents (resale price maintenance, etc.).

April 2014 Company Training on the Subcontract Act (NAGASE & CO., LTD. new hires)

Training for new hires related to important points of the Subcontract Act.

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

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

We have also worked on test programs to strengthen and expand Group-wide research, development, and manufacturing functions, recognizing the importance of continuing quality improvement for the Group as a whole.

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

In tandem with its growth as a business engaged in manufacturing, Nagase will increasingly be called upon to assume responsibility for quality assurance. To assist in this area, the Company established the Quality Assurance Support Team within the Intellectual Property Office in December 2010. Quality Assurance Support manages vendors and contract manufacturers, supporting Group manufacturing companies, as well as providing internal education and other services for sales divisions.

Security Trade Controls

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

Meetings of the Security Trade Control Committee and the Item Compliance Management Council are held as deemed appropriate. At these meetings, the Security Trade Control Committee works to understand the export control situation, the latest revisions to the Foreign Exchange and Foreign Trade Control Law and to ascertain a detailed picture of export controls across the entire Group while formulating related Group policies. The

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

Specific Management Framework

All information about our export products, technologies, and overseas customers is stored in our proprietary Product Management System. Our Sales Division and export management officers confirm whether certain products or technologies are subject to restriction under the rules of Foreign Exchange and Foreign Trade Act and the United States Export Administration Regulations. Only those products approved by the Item Compliance Management Section are put into the system as products allowed for export.

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

Efforts to Promote Personnel Development

Every year, the practical business of security trade controls becomes ever more complex. To keep pace with developments, the NAGASE Group encourages its employees—primarily those involved in export operations—to become Security Trade Control (STC) Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC). As of March 2015, the Company had 775 qualified STC Associates in 20 Group companies. We continue to strive to foster personnel with a high level of knowledge and expertise.

Aiming to Raise Awareness of Security Trade Controls

At Nagase, internal security trade control training is provided to all employees, and the Human Resources & General Affairs Division offers various training opportunities such as orientation for new employees, rank-specific personnel training, and the implementation of other activities that educate and instill knowledge. In addition, we hold lectures for domestic subsidiaries and affiliates as well as overseas-based subsidiaries, with the entire Group participating. During fiscal 2014, a total of 261 individuals participated in training lectures.

Regulatory Compliance in Products

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

Framework for Compliance with Product Laws and Regulations

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

We are members of the Japan Chemical Industry Association, the Japan Chemical Exporters and Importers Association, and several other industry organizations. In addition, because we distribute information on the chemical substances contained in products along the supply chain, we endeavor to pass on accurate information by participating in the Joint Article Management Promotion-consortium (JAMP) and by using specialized tools for products containing chemical substances, such as MSDS Plus and AIS.

Strategic Approach to International Chemical Management (SAICM)

The action plan adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is accelerating the tightening and standardization of regulations concerning chemical management. Consequently, each nation is witnessing dynamic changes in applicable laws and regulations.

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

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

For Consumer Security and Safety

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

Food Materials

Basic Approach to Quality Management (Food Safety)

Hayashibara has obtained the internationally recognized FSSC 22000 Food Safety Management System certification, attesting to the safety and quality of the company's products. We don't approach quality as passive defense in response to arbitrary rules and regulations. We look beyond the global standards for assurance, always improving in an active effort to continually earn the trust of the consumer. We also believe that this is the basis for surviving in today's competitive marketplaces.

Specific Quality Management Initiatives

We separated the quality assurance operations and quality management operations from manufacturing and sales functions to improve the level of our corporate-wide initiatives. In addition, we established the Quality Management Head Office, which reports directly to the president of the Company. This Office is charged with driving the continual improvement of our quality management systems, based on FSSC 22000 and ISO 9001. Our ISO 9001 program is a corporate-wide initiative, applicable to both manufacturing and non-manufacturing operations. We continue to promote activities to raise the awareness of ISO 9001 throughout the company.



FSSC 22000

Cosmetics

Basic Approach

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

Specific Initiatives

Our research and development pursues herb sciences and technology, selecting materials from a variety of plants, seeking out those that combine safety and functionality. The plant materials coming out of our research are used as the raw materials of end products, which are in turn subject to strict quality management systems in connection with the production process. At the same time, we are incorporating universal design for ease of use, ease of reading, and ease of understanding to respond to the shift in age demographics of our end customers. If customers have any questions about their purchases, they can contact the Nagase Beauty Care after-sales support (support office). This support office is staffed with experienced beauty instructors and professionals well-versed in customer support, working directly with customers. This office has been invaluable in raising the quality of our products and services in response to customer feedback.



Careful selection of useful herbs from around the world. We conduct extremely demanding tests to ensure that no residual agricultural chemicals, heavy metals, or other harmful substances find their way into our products.

Community Involvement and Development

Contribution to the Advancement of Science and Technology

Nagase has a long history of technological development beyond chemicals. We have also been very active in technological and application development for enzymes and organic compounds used in the pharmaceuticals markets. We believe in the importance of fundamental research in the biochemistry and organic chemistry fields, and that offering subsidies through research and development and international exchange leads to the advancement of science and technology. As part of our contribution to societal progress, we

established the Nagase Science and Technology Foundation in 1989.

Current programs include research grants to researchers and other subsidies. To date, Nagase has helped finance 432 research projects, provided support for 178 international exchange programs (program terminated during fiscal 2004), and contributed a total of ¥1.12 billion to further science.

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

Fiscal 2015 Subsidy Awards

(formal titles omitted: Japanese alphabetical order)

| Name | Present office | Position | Subject matter |
|--------------------------|--|---------------------|---|
| Biochemistry | | | |
| Yumi Izutsu | Faculty of Science, Niigata University | Associate professor | Molecular interaction between antigen proteins and the immune system involved in skin organogenesis |
| Hideshi Ihara | Graduate School of Science, Osaka Prefecture University | Associate professor | Signaling mechanism of reactive sulfur species |
| Tadahisa Iwata | Graduate School of Agricultural and Life Sciences, The University of Tokyo | Professor | Synthesis and high-functionability of ultra-high-molecular-weight microbial polyesters |
| Takane Katayama | Graduate School of Biostudies, Kyoto University | Professor | Human milk oligosaccharides-mediated symbiosis and co-evolution between bifidobacteria and humans |
| Satoshi Shimozono | Brain Science Institute, The Institute of Physical and Chemical Research (RIKEN) | Research scientist | Visualization of retinoic acid dynamics in mice |
| Hikaru Seki | Graduate School of Engineering, Osaka University | Associate professor | Production of plant-derived triterpenoid saponins in engineered yeast |
| Kiwamu Takemoto | School of Medicine, Yokohama City University | Assistant professor | Optical inactivation of synaptic proteins by CALLI with functional antibodies |
| Yuichi Tsukada | INAMORI Frontier Research Center, Kyushu University | Professor | Identification of novel enzymes involved in the regulation of epigenome |
| Taisuke Tomita | Graduate School of Pharmaceutical Sciences, The University of Tokyo | Professor | Modulation of γ -secretase activity based on molecular mechanism of intramembrane proteolysis |
| Yoshimitsu Hamano | Department of Bioscience, Fukui Prefectural University | Professor | Enzymatic polycationic-modification of small molecules for improvement of cell membrane permeability |
| Kyoko Miura | Institute for Genetic Medicine, Hokkaido University | Assistant professor | Investigation of the cellular mechanisms suppressing the aging process in the longest-living rodent, the naked mole-rat |
| Hiroyuki Morita | Institute of Natural Medicine, University of Toyama | Professor | Utilization of plant-specific polyketide cyclase for the production of novel aromatic compounds |
| Organic chemistry | | | |
| Hajime Ito | Faculty of Engineering, Hokkaido University | Professor | Synthesis of optically active cyclic ethers and amines through asymmetric borylation of aldehydes and imines |
| Hidehiro Sakurai | Graduate School of Engineering, Osaka University | Professor | Asymmetric induction using metal nanocluster catalyst |
| Seiji Shirakawa | Graduate School of Fisheries and Environmental Sciences, Nagasaki University | Associate professor | Construction of environmentally benign organic reaction system catalyzed by chiral neutral salt |
| Takayuki Doi | Graduate School of Pharmaceutical Sciences, Tohoku University | Professor | Development of the inhibitors of protein-protein interactions |
| Hirimitsu Maeda | College of Pharmaceutical Sciences, Ritsumeikan University | Professor | Formation of supramolecular ferroelectric materials based on anionic π -electronic systems |
| Makoto Yasuda | Graduate School of Engineering, Osaka University | Professor | Development of catalysts for molecular recognition by combined design of metal and organic π -framework |
| Hidetoshi Yamada | School of Science and Technology, Kwansei Gakuin University | Professor | Challenge to breakthrough of limitation in stereoselectivity of glycosylation using sugars with abnormal conformation |
| Michito Yoshizawa | Chemical Resources Laboratory, Tokyo Institute of Technology | Associate professor | Selective recognition of steroid hormones by using coordination nanocapsules |

TABLE FOR TWO Initiative

The Nagase Tokyo Head Office participates in the TABLE FOR TWO (TFT) program operated by the NPO organization TABLE FOR TWO International. This activity is one way our employees participate in social contribution activities.

TFT is a program that takes on hunger in developing nations, while at the same time working to solve obesity and lifestyle diseases in advanced nations. When employees purchase a healthy meal at the company cafeteria, a ¥20 donation is made to provide school lunches to poor children in developing nations.

We began participating in TFT in October 2008. Over the past six years, we have helped serve a cumulative 112,018 meals to children around the world.



Local charity activities (September: Kobuna-cho Tenno Festival)

This year, 41 Nagase employees lent their hands to participate in carrying a portable shrine at Kobuna-cho Tenno Festival. Held every four years, the Kobuna-cho Tenno Festival is a festival that has continued since Japan's Edo Period. The celebration commemorates the Yakumo Shrine (on the grounds of the famous Kanda Myojin), revered and cared for by the citizens living in Kobuna-cho, Nihonbashi.



Programs supported by our local offices

Every year, Nagase Singapore participates in the Singapore Cancer Society Race Against Cancer, a charity race to save lives. Nearly 60 local and expatriate staff participated in the race held August 2014.



Financial Foundation Supporting Business Growth



Free cash flow for fiscal 2014 amounted to ¥7,742 million, an increase of ¥9,192 million compared to the prior year. Cash and cash equivalents increased ¥5,595 million year on year, reaching ¥40,575 million. Shareholders' equity increased by ¥34,675 million compared to the prior fiscal year, reaching ¥281,398 million. This increase was mainly due to share price increases and the devaluation of the yen on the currency markets. Our shareholders' equity ratio gained 2.0 percentage points, rising to 51.5%. At the same time, the Company retired 11 million shares (7.95%) of treasury stock.

Our long-term policies call for active investment to drive growth toward the year 2032. Accordingly, we intend to take a balanced approach in our allocation of both existing capital and capital generated in the future, mindful of the need for business investment, for dividends, and for other uses.

Representative Director and Managing Executive Officer
Mitsuro Naba

Investing for Greater Corporate Value

The NAGASE Group does not engage in investment or financing for purposes of speculative income generation. Through manufacturing, R&D, technology, business intelligence, and a global network—what we perceive as our competitive strengths along our Group value chain (See page 1 Business Model)—we create unique and highly competitive businesses. These businesses allow us to improve our service quality and value as a corporation. We invested more than ¥40 billion during the three-year period of our *Change-S2014* medium-term management plan (fiscal years 2012 to 2014). We plan to continue to invest and provide financing for ventures we believe will build our corporate value.

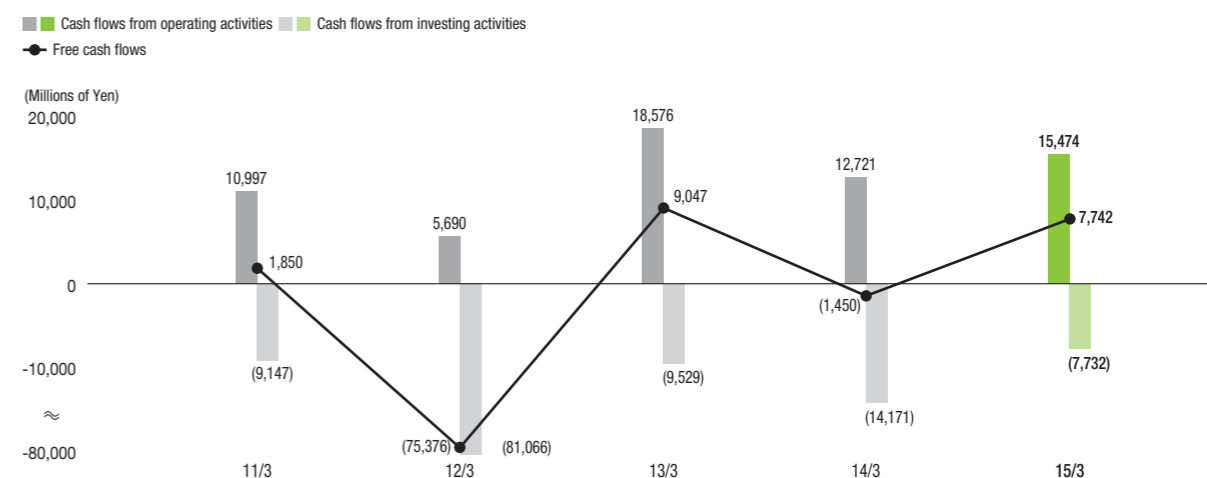
As we engage in ongoing investing and financing, we will be mindful of business cash flow, continually improving our systems for ensuring efficient and effective investments. At the same time, we will work to strengthen our credit rating and improve corporate value as a means to maintain financial stability.

Liabilities and interest-bearing debt grew significantly during fiscal 2011. These funds were raised from financial institutions or through the issuance of unsecured bonds for the purpose of acquiring of Hayashibara Co., Ltd. and the conversion of that company to a

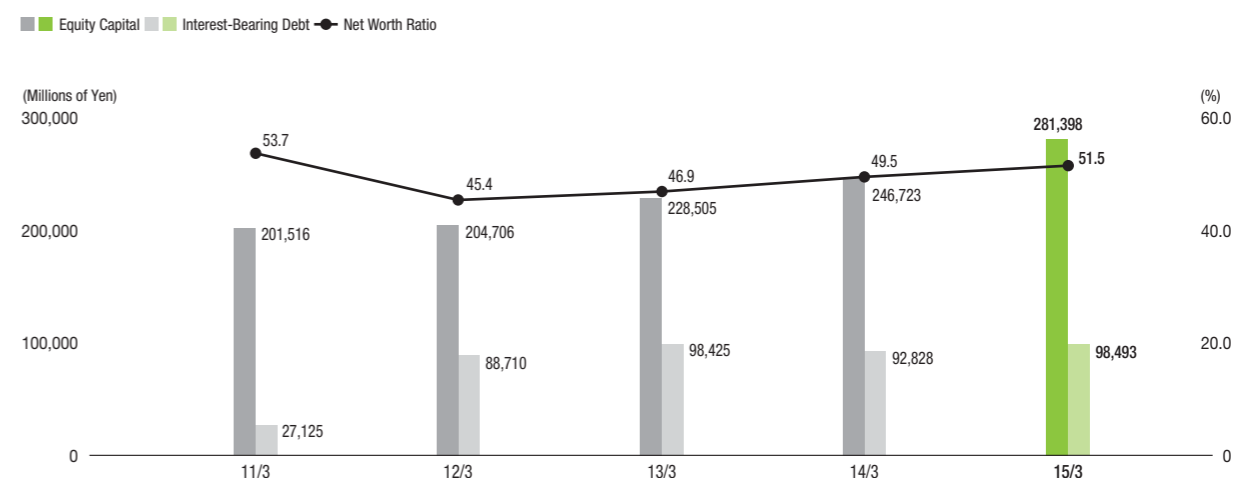
Group subsidiary. Despite the increase in liabilities, the Group maintained a financially sound net worth ratio of 51.5% (as of March 31, 2015).

| Rating | | |
|---|----------------------|--------|
| Agency | Type | Rating |
| Rating and Investment Information, Inc. | Issuer credit rating | A |

Cash Flows



Owned Capital / Interest-bearing Debt / Net Worth Ratio



Six-Year Summary NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2010–2015)

| | (Millions of yen) | | | | | Thousands of U.S. Dollars (Note 1) | |
|---|-------------------|-----------|-----------|-----------|-----------|------------------------------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2015 |
| For the Fiscal Year: | | | | | | | |
| Net Sales | ¥ 603,949 | ¥ 660,213 | ¥ 631,854 | ¥ 666,272 | ¥ 723,212 | ¥ 759,713 | \$6,321,986 |
| Domestic | 360,382 | 389,379 | 366,369 | 361,971 | 372,939 | 374,208 | 3,113,989 |
| Overseas | 243,567 | 270,833 | 265,485 | 304,301 | 350,272 | 385,505 | 3,207,997 |
| Gross Profit | 65,415 | 73,008 | 71,628 | 82,583 | 88,936 | 91,991 | 765,507 |
| Operating Income | 13,128 | 18,732 | 13,427 | 15,578 | 15,789 | 18,153 | 151,061 |
| Income before Income Taxes and Minority Interest | 13,534 | 20,918 | 16,536 | 19,458 | 18,353 | 18,989 | 158,018 |
| Net Income | 7,537 | 12,823 | 8,570 | 14,182 | 11,663 | 11,318 | 94,183 |
| As of the Fiscal Year-End: | | | | | | | |
| Total Assets | ¥ 368,088 | ¥ 375,336 | ¥ 450,842 | ¥ 486,747 | 498,141 | 546,525 | \$4,547,932 |
| Net Assets | 202,753 | 209,316 | 212,744 | 237,806 | 251,892 | 287,500 | 2,392,444 |
| Interest-Bearing Debt | 21,886 | 27,125 | 88,710 | 98,425 | 92,828 | 98,493 | 819,614 |
| Share Price (Yen) | 1,169 | 990 | 1,024 | 1,147 | 1,275 | 1,573 | 13.09 |
| Market Value | 161,799 | 137,024 | 141,730 | 158,754 | 176,470 | 200,413 | 1,667,746 |
| Number of Shares Issued and Outstanding (Thousands of Shares) | 138,408 | 138,408 | 138,408 | 138,408 | 138,408 | 127,408 | — |
| Number of Shareholders | 5,446 | 5,136 | 6,124 | 6,921 | 6,984 | 6,781 | — |
| Number of Employees | 4,469 | 4,693 | 5,545 | 5,897 | 5,960 | 6,259 | — |
| Per Share Data: | | | | | | | |
| Net Income | ¥ 58.64 | ¥ 99.76 | ¥ 66.69 | ¥ 111.31 | ¥ 91.86 | ¥ 89.10 | \$ 0.74 |
| Net Assets | 1,519.61 | 1,568.04 | 1,592.87 | 1,803.31 | 1,942.20 | 2,215.18 | 18.43 |
| Cash Dividends | 16.00 | 22.00 | 24.00 | 26.00 | 28.00 | 30.00 | 0.25 |
| Ratios: | | | | | | | |
| Operating Margin (Operating Income / Net Sales) (%) | 2.2 | 2.8 | 2.1 | 2.3 | 2.2 | 2.4 | — |
| Ratio of Income before Income Taxes and Minority Interests to Net Sales (%) | 2.2 | 3.2 | 2.6 | 2.9 | 2.5 | 2.5 | — |
| Return on Sales (ROS) (%) | 1.2 | 1.9 | 1.4 | 2.1 | 1.6 | 1.5 | — |
| Total Assets Turnover (Times) | 1.7 | 1.8 | 1.5 | 1.4 | 1.5 | 1.5 | — |
| Return on Assets (ROA) (%) | 2.1 | 3.4 | 2.1 | 3.0 | 2.4 | 2.2 | — |
| Return on Equity (ROE) (%) | 4.0 | 6.5 | 4.2 | 6.5 | 4.9 | 4.3 | — |
| Shareholders' Equity Ratio (%) | 53.1 | 53.7 | 45.4 | 46.9 | 49.5 | 51.5 | — |
| Debt to Equity Ratio (Times) | 0.11 | 0.13 | 0.43 | 0.43 | 0.38 | 0.35 | — |
| Current Ratio (%) | 195.3 | 200.2 | 155.4 | 184.4 | 187.2 | 187.0 | — |
| Interest Coverage Ratio (Times) (Note 2) | 23.2 | 35.4 | 21.26 | 15.46 | 15.80 | 17.86 | — |

Note: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.17=U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2015.

Note: 2. Interest coverage ratio is calculated as (operating income + interest income + dividend income)/interest expense.

Management's Discussion and Analysis of Operations and Finances

Business Lines and Scope of Consolidation

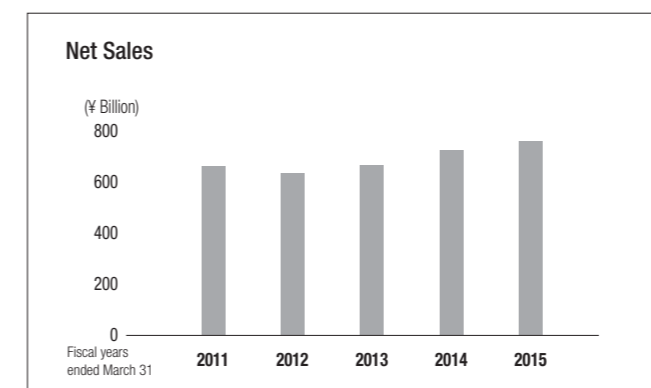
The NAGASE Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. (the "Company" or "NAGASE") at its center. In addition, the NAGASE Group manufactures and sells products and provides services. These businesses are conducted by 101 related companies, consisting of 72 subsidiaries and 29 affiliates. The scope of consolidation includes 59 subsidiaries as well as 25 affiliates, which are accounted for by the equity method.

Overview of Results

■ Net Sales

During the consolidated fiscal year under review, the Japanese economy experienced a gradual improvement, mainly due to the weakness of the Japanese yen on the global currency market. However, the country is still facing the aftereffects of increased consumer purchasing during the prior fiscal year in the period leading up to the increase in consumption tax rates. On the global stage, slower growth in the Chinese economy has made it difficult to predict the future of certain sectors and regions. Meanwhile, strength in North America and other regions has resulted in a gradual economic recovery worldwide.

In this environment, the Company recorded domestic sales for the consolidated fiscal year of ¥374.2 billion, which represented 0.3% year-on-year growth. Overseas sales amounted to ¥385.5 billion (10.1% growth). In total, the Company recorded net sales of ¥759.71 billion, representing a 5.0% year-on-year increase.



■ Gross Profit and Net Income

The Company recorded gross profit in the amount of ¥91.99 billion (3.4% year-on-year increase), mainly the result of strong performances in our automobile-related business and office equipment and appliance business.

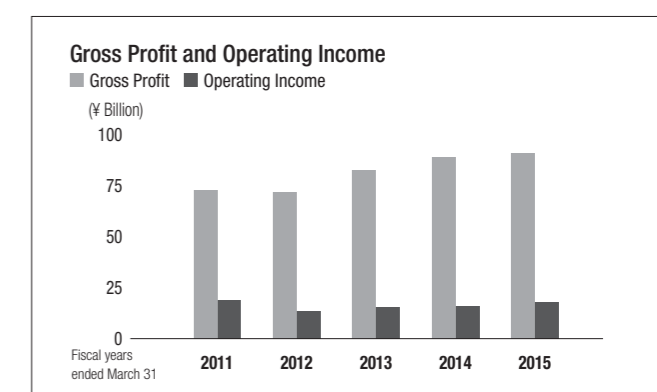
As a result, our gross profit ratio decreased 0.2 percentage points to 12.1%.

Operating income amounted to ¥18.15 billion, which was an increase of 15% year on year. This result was mainly due to higher gross profit and lower retirement benefit costs, which more than offset a specific allowance for doubtful accounts recorded for certain customers of the Company's Taiwanese subsidiary.

The Group's operating margin increased 0.2 percentage points compared to the prior fiscal year, amounting to 2.4%.

Ordinary income amounted to ¥20.36 billion (13.7% increase).

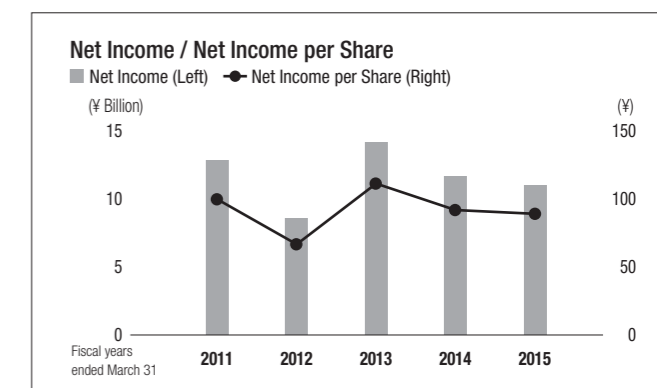
Net sales Ordinary Income ratio increased 0.2% compared to the prior fiscal year, amounting to 2.7%.



Net income before income taxes and minority interest amounted to ¥18.98 billion, which was a 3.5% year-on-year increase.

The Company recorded net income of ¥11.31 billion (3.0% year-on-year decrease). This result was mainly due to the impact of lower gains on sale of investment securities and a write-down of deferred tax assets in response to fiscal 2015 tax reforms.

Return on sales (ROS) decreased 0.1 percentage points to 1.5%. Net income per share fell from ¥91.86 in the prior fiscal year to ¥89.10 for the year under review.



Results by Business Segment

| Functional Materials | | |
|--|-------------|----------------|
| Fiscal years ended March 31 | (¥ Million) | |
| | 2014 | 2015 |
| Net Sales | 169,973 | 168,238 |
| Segment Profit | 4,328 | 4,302 |
| Segment Assets | 75,491 | 75,590 |
| Depreciation and Amortization | 407 | 483 |
| Amortization of Goodwill | — | — |
| Goodwill | — | — |
| Investments in Equity Affiliates | 1,850 | 2,079 |
| Increase in Property, Plant, and Equipment and Intangible Fixed Assets | 399 | 330 |

The Company's Functional Materials segment recorded slightly lower net sales overall for the period. While Southeast and Northeast Asia led in overseas growth, sales domestically underperformed the prior year.

The performance chemicals business experienced slight declines in net sales. While urethane materials sales to the automotive and construction markets grew overall, sales of paints for construction and building materials were slow. Further, the Company experience sluggish sales of basic chemicals in the Middle East.

Our speciality chemicals business reported higher sales overall. While exports of raw materials and epoxy compound products for electronics materials were somewhat slow, the Company saw strength in sales to domestic metal working oil makers and encapsulant exports.

As a result, net sales for the Functional Materials segment for the consolidated fiscal year amounted to ¥168.23 billion, which was a year-on-year decrease of ¥1.73 billion (1.0% decrease). Operating income amounted to ¥4.3 billion, a ¥20 million (0.6%) decrease compared to the prior fiscal year. This decrease was mainly due to lower profits at our domestic manufacturing businesses, which offset gains in overseas profits.

Advanced Materials & Processing

| Fiscal years ended March 31 | (¥ Million) | |
|--|-------------|----------------|
| | 2014 | 2015 |
| Net Sales | 239,224 | 254,165 |
| Segment Profit | 3,707 | 4,804 |
| Segment Assets | 119,202 | 131,543 |
| Depreciation and Amortization | 647 | 802 |
| Amortization of Goodwill | — | — |
| Goodwill | — | — |
| Investments in Equity Affiliates | 2,245 | 2,507 |
| Increase in Property, Plant, and Equipment and Intangible Fixed Assets | 862 | 1,392 |

The Advanced Materials & Processing segment reported higher overall net sales for the fiscal year. Although sales were lower in the U.S. and Europe, we experienced growth in Northeast and Southeast Asia, with sales in Japan improving slightly.

The colors and imaging business recorded overall sales level with the prior fiscal year. While the dyes and additives business reported strong sales, the information printing materials business experienced weaker sales performance.

The Company's office equipment and appliance business reported higher net sales as a whole. This result was mainly due to higher plastic materials revenues in Northeastern and Southeastern Asia, as well as slightly improved performance in our home market.

The functional films and sheets and plastic molding products business experienced strong sales of plastic materials, materials for LCD TV reflectors, and conductive polymer materials, driving performance higher overall.

As a result, the Company recorded net sales of ¥254.16 billion in the Advanced Materials & Processing Segment, representing a ¥14.94 billion (6.2%) increase year on year. Operating income increased ¥1.09 billion (29.6%) year on year to ¥4.8 billion, due mainly to higher revenues and gross profits, as well as improved profits at the Company's manufacturing subsidiaries.

Electronics

| Fiscal years ended March 31 | (¥ Million) | |
|--|-------------|----------------|
| | 2014 | 2015 |
| Net Sales | 137,026 | 149,947 |
| Segment Profit | 6,067 | 5,583 |
| Segment Assets | 69,824 | 66,862 |
| Depreciation and Amortization | 2,323 | 2,649 |
| Amortization of Goodwill | 169 | 120 |
| Goodwill | 2,617 | 2,214 |
| Investments in Equity Affiliates | 75 | 132 |
| Increase in Property, Plant, and Equipment and Intangible Fixed Assets | 2,015 | 2,460 |

The Electronics segment reported higher overall revenues, driven mainly by revenue growth in Japan, Southeastern Asia, and Northeastern Asia, which offset performance decreases in the U.S. and Europe.

The Company's electronic chemicals business reported net sales level with the same period in the prior fiscal year. This result was mainly due to slightly lower sales of formulated epoxy resin for the heavy and light electrical machinery markets, offsetting higher sales of chemicals used in semiconductor and LCD panel manufacturing.

The electronics materials business reported overall revenue gains, with stronger performance in sales of LED-related products, glass-related products, and touch-panel materials.

As a result, segment net sales for the consolidated fiscal year amounted to ¥149.94 billion, representing a ¥12.92 billion (9.4%) increase year on year. Operating income amounted to ¥5.58 billion, which was a ¥830 million (13.0%) decrease year on year. This result was mainly due to declining profitability among domestic sales companies and an allowance for doubtful accounts recorded at the Company's subsidiary in Taiwan. These declines outpaced the recovery in our glass-related products in Northeastern Asia.

Automotive & Energy

| Fiscal years ended March 31 | (¥ Million) | |
|-------------------------------|-------------|----------------|
| | 2014 | 2015 |
| Net Sales | 99,441 | 109,851 |
| Segment Profit | 1,381 | 2,229 |
| Segment Assets | 40,792 | 45,213 |
| Depreciation and Amortization | 262 | 122 |
| Amortization of Goodwill | — | — |
| Goodwill | — | — |

| | | |
|--|-------|--------------|
| Investments in Equity Affiliates | 1,777 | 1,932 |
| Increase in Property, Plant, and Equipment and Intangible Fixed Assets | 369 | 346 |

The automobile-related business recorded overall growth for the fiscal year under review. This result was mainly due to the fact that the Company strengthened its sales structure in North America, where sales of automobiles continues to be strong. At the same time, the Company expanded product lines and generated stronger sales in Japan, China, and North America. These performance improvements outweighed the decline in domestic auto purchases in the period following Japan's consumption tax increases, as well as production adjustments on the part of auto makers in China.

As a result, the Automotive & Energy segment recorded net sales for the consolidated fiscal year in the amount of ¥109.85 billion, representing a ¥10.4 billion (10.5%) increase compared to the same period in the prior fiscal year. Operating income increased by ¥1.2 billion (116.9%), reaching ¥2.22 billion, owing mainly to improved profits among domestic manufacturing businesses, as well as higher profits in China.

Life & Healthcare

| Fiscal years ended March 31 | (¥ Million) | |
|--|-------------|---------------|
| | 2014 | 2015 |
| Net Sales | 76,810 | 76,609 |
| Segment Profit | 4,000 | 3,157 |
| Segment Assets | 96,205 | 98,250 |
| Depreciation and Amortization | 2,993 | 3,136 |
| Amortization of Goodwill | 1,516 | 1,502 |
| Goodwill | 27,163 | 25,412 |
| Investments in Equity Affiliates | 2,070 | 2,219 |
| Increase in Property, Plant, and Equipment and Intangible Fixed Assets | 4,488 | 5,720 |

The Company's Life & Healthcare business experienced lower net sales as a whole, driven mainly by lower sales in Japan that outpaced gains overseas, mainly in Northeast Asia and Europe.

The life & healthcare products business reported higher net sales spurred by strong performance of our proprietary TREHA™ (trehalose) and other products to the food materials industry overseas, owing to our improving sales structure in overseas markets. At the same time, sales of enzyme products remained level year on year. In the skin care and toiletries business, inclement summer weather negatively affected sales of our proprietary AA2G™ product; however, sales of raw materials to major customers to the skin care and toiletries industry were strong. The Company reported higher sales of medical materials products within our pharmaceuticals and medical fields, while performance of pharmaceutical raw materials and intermediates underperformed the prior fiscal year. As a result, we were able to report higher year-on-year sales for the pharmaceutical and medical business.

Our beauty care products business saw lower year-on-year sales due to front-loaded demand in anticipation of the consumption tax rate increase in Japan during the prior fiscal year, as well as the fact that the Company did not record strong sales of new products.

As a result, net sales for the segment amounted to ¥76.60 billion for the fiscal year, which was ¥200 million (0.3%) lower than the prior fiscal year.

Operating income fell to ¥3.15 billion, which was ¥840 million (21.1%) lower than the prior fiscal year. This result was mainly due to lower sales of our proprietary products and higher general and administrative expenses.

Other

The Other business segment saw higher revenues and lower profits for the fiscal period under review. Net sales amounted to ¥0.9 billion (¥0.16 billion increase; 22.1%), while operating income showed a ¥0.01 billion year-on-year decrease (6.5%) to ¥0.2 billion.

Financial Condition

(Summary of Consolidated Cash Flows)

Cash and cash equivalents at the end of the year increased by ¥6.69 billion (19.8%) compared to the prior consolidated fiscal year, amounting to ¥40.52 billion.

■ Cash Flows from Operating Activities

Cash flows from operating activities for the consolidated fiscal year amounted to ¥15.47 billion. This result was mainly due to income before income taxes and minority interests of ¥18.98 billion and depreciation and amortization of ¥9.29 billion, offsetting ¥7.17 billion in increased inventories and ¥8.31 billion in income tax payments.

■ Cash Flows from Investing Activities

Cash used in investing activities during the consolidated fiscal year amounted to ¥7.73 billion. Although the company sold investment securities for a cash amount of ¥2.45 billion and recorded a decrease in time deposits of ¥1.16 billion, acquisitions of property, plant, and equipment and intangible fixed assets amounted to ¥11.94 billion.

■ Cash flows from Financing Activities

Cash used in financing activities for the consolidated fiscal year amounted to ¥3.2 billion. This result was mainly due to an increase in long-term loans in the amount of ¥9.32 billion, offset by repayments of long-term loans and dividend payments in the amount of ¥6.80 billion and ¥3.68 billion.

Cash Flow Summary

| Fiscal years ended March 31 | (¥ Million) | | | | |
|--------------------------------------|-------------|----------|---------|----------|----------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Cash Flows from Operating Activities | 10,997 | 5,690 | 18,576 | 12,721 | 15,474 |
| Cash Flows from Investing Activities | (9,147) | (81,066) | (9,529) | (14,171) | (7,732) |
| Cash Flows from Financing Activities | 3,564 | 56,961 | 1,164 | (11,833) | (3,205) |

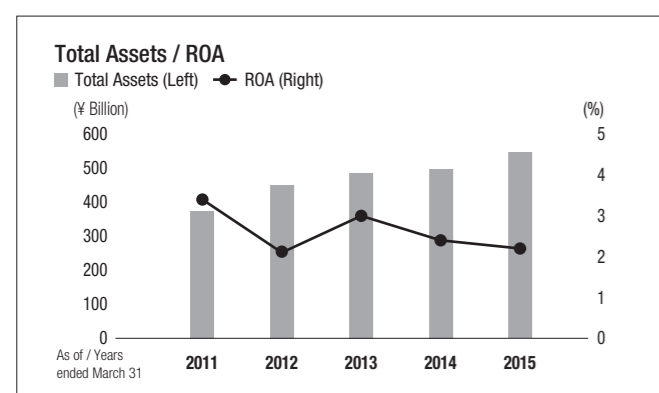
Summary of Consolidated Balance Sheets

■ Assets

Total assets increased by ¥48.38 billion, reaching ¥546.52 billion as of the end of the consolidated fiscal year.

Current assets amounted to ¥329.84 billion. This represents an increase of ¥23.48 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in accounts receivable and inventories.

Non-current assets amounted to ¥216.67 billion, an increase of ¥24.89 billion compared to the end of the prior consolidated fiscal year. This increase in non-current assets was mainly due to higher valuations in the Company's investments in securities, driven by higher market prices.



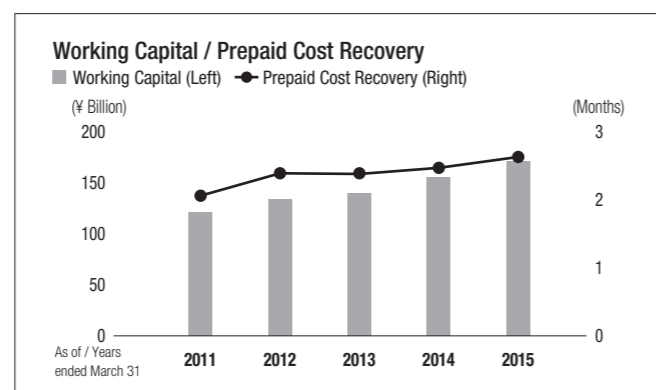
■ Liabilities

Liabilities amounted to ¥259.02 billion, which was an increase of ¥12.77 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to increased loans and deferred tax liabilities due to unrealized holding gains on securities.

Current liabilities increased ¥12.77 billion compared to the end of the prior fiscal year, amounting to ¥176.42 billion. This increase was mainly due to increased short-term loans and current portion of bonds.

Long-term liabilities remained nearly level with the end of the prior fiscal year, amounting to ¥82.6 billion. While bonds redeemable on June 12, 2015 were reclassified as current portion of bonds, the Group also recorded increased balances of long-term deferred tax liabilities and long-term loans.

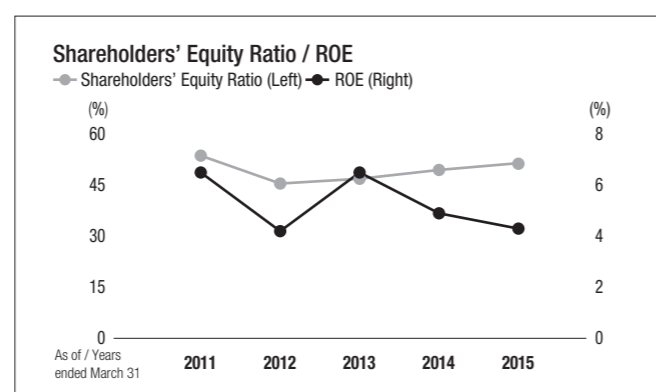
As a result, working capital rose from ¥155.44 billion at the beginning of the year to ¥171.48 billion at the end of the year. Prepaid cost recovery fell by 0.16 months. Current ratio, coming in at 187.0%, was nearly level with last year's 187.2%



■ Net Assets

Net assets amounted to ¥287.5 billion at the end of the consolidated fiscal year, up ¥35.6 billion compared to the end of the prior consolidated fiscal year. This increase was mainly due to ¥11.31 billion in recorded net income, as well as increases in unrealized holding gains on securities.

As a result, the Company experienced a 2.0 percentage point increase in the shareholders' equity ratio, up to 51.5% as of the end of the consolidated fiscal year.



Capital Investment

The NAGASE Group recorded 11.71 billion in capital investments (including intangible fixed assets) for the fiscal year. We invested a significant amount to strengthen the competitive abilities of the Hayashibara functional saccharide products, as well as making 4.31 billion in capital investment for the purpose of manufacturing a variety of new products, mainly in the Life & Healthcare segment. Funds for these investments came from both internal reserves and outside financing.

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

| Reportable Segments | (¥ Million) |
|---------------------------------|----------------|
| Functional Materials | ¥ 330 |
| Advanced Materials & Processing | 1,392 |
| Electronics | 2,460 |
| Automotive & Energy | 346 |
| Life & Healthcare | 5,720 |
| Other | 1,461 |
| Total | ¥11,712 |

Research Costs

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

The Nagase R&D Center has narrowed its focus to bio-related technologies, delving deeper into proprietary technologies and developing new technological applications. More specifically, we plan to further develop our strong genetic engineering and bioinformatics technologies to rapidly commercialize useful non-petroleum-dependent compound production from our unique actinomycete technologies researched to date. At the same time, we will work with universities and other outside research institutions, particularly in metabolic engineering, maximizing the use of those research resources, while at the same time strengthening adoption of leading edge technologies. Further, we plan to transfer the process development for pharmaceuticals and medical intermediates utilizing organic synthesis technologies, development of enzymes and enzyme products using microbe-based technologies conducted by the Nagase R&D Center to our major manufacturing subsidiary Nagase ChemteX Corporation in order to speed up the launch of new products. We have forged deeper ties with the Hayashibara R&D Center to drive synergies in our business. We are presently applying for numerous patents to add to our catalog of intellectual property. These patents concern inventions related to manufacturing methods for new biochemical production, chiral synthesis technologies for manufacturing non-natural amino acids, new enzyme development (research, manufacturing, application), and applications to cosmetics and health foods incorporating natural extracts. Our customers and the markets are recognizing our ability to engage in technological development through new product launches based on patented technologies. In this way, we demonstrate the Nagase R&D Center mission to develop basic biotechnologies that guide the Group's existing businesses and new products and services based on biotechnology.

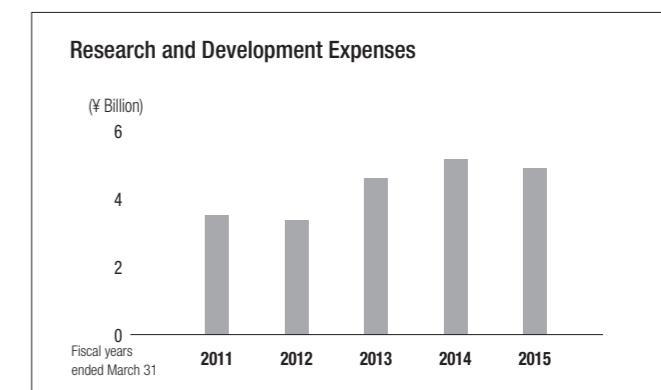
The Nagase Application Workshop (NAW) is home to expert technical staff, processing facilities, and assessment equipment related to plastics and coating materials. The NAGASE Group sales network brings in many different suggestions for development and technical support services related to information devices, autos, cosmetics containers, and more from their interaction with customers and vendors. The NAW looks closely at each idea, working to solve customer needs through technical development.

At Nagase ChemteX Corporation, Research and Development head office staff work with product development departments across the NAGASE Group organization, developing new products in the electronics, automotive and aviation, environment and energy, food, and medical fields. ChemteX research staff relies on the NAGASE Group library of proprietary synthesis, compounding, bio, and assessment technologies to make breakthroughs that benefit our customers.

In particular, Nagase ChemteX is actively engaged in development for solar cells, hybrid vehicles, wind power, bio-materials and other environment/energy-related fields, producing high-function, high-value-added products and solutions designed to meet market demands for lighter weight, enhanced durability, and recyclability.

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

The Group incurred a total of ¥4.9 billion in consolidated research costs for the fiscal year under review.



Outlook for the Year Ending March 31, 2016

We believe the domestic economy will continue to recover throughout the next fiscal year, pushed by higher capital investment in conjunction with improved earnings and a rebound in consumer spending. We expect to see a continuing recovery in North America with improving—however slightly—consumer confidence. Business conditions in Southeast Asia are expected to remain solid. Fears of slowing economic growth in China, financial problems in Europe, and geopolitical risk in the Middle East make predicting the future a difficult proposition; however, we do forecast a gradual recovery in the world economy as a whole.

In light of these expectations, we have forecast earnings of ¥823.0 billion in consolidated net sales (8.3% increase year on year) for the fiscal year ending March 2016, with gross profit at ¥97.3 billion (5.8% increase). We project operating income of ¥19.5 billion (7.4% increase). In addition, we forecast ordinary income of ¥20.6 billion (1.1% increase) and net income of ¥12.1 billion (6.9% increase year on year).

The forecasts above have been developed based on a currency conversion rate of ¥120 to the US dollar.

(Announced on May 8, 2015)

| Year ending March 31, 2016 (Projected) | Net Sales | Operating Income | Ordinary Income | Net Income (¥ Million) |
|---|-----------|---------------------|--------------------|---------------------------|
| Year ending March 31, 2016 (Projected) | 823,000 | 19,500 | 20,600 | 12,100 |
| Year ended March 31, 2015 (Actual) | 759,713 | 18,153 | 20,366 | 11,318 |
| Change | +8.3% | +7.4% | +1.1% | +6.9% |

Profit Sharing Policy

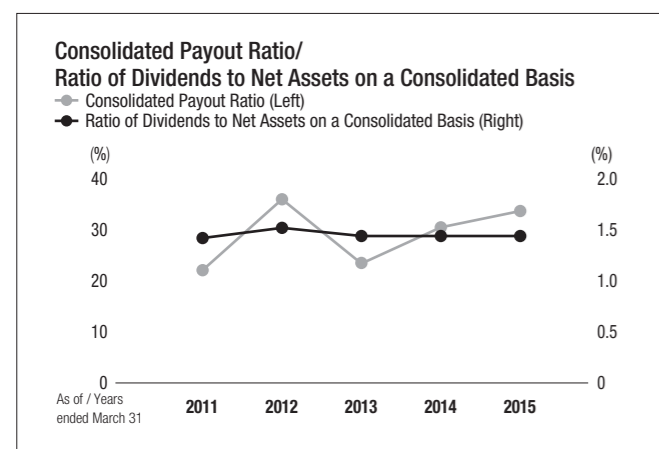
■ Dividend Policy

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

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

The NAGASE Group declared a year-end dividend of ¥15 per share based on this policy. As a result, the scheduled full-year cash dividend will amount to a total of ¥30 per share.

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



Statements made in this document with respect to the NAGASE Group's performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of May 8, 2015. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ from projections.

■ Operating and Other Risks

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

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

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

(1) Overall Operating Risk

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

(2) Product Market Conditions

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

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

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

(4) Impact of Fluctuations in Interest Rates

The NAGASE Group obtains funds for operating and financing activities through loans from financial institutions; some of these loans are interest-bearing debt including variable interest terms.

The Group reduces interest rate fluctuation risk related to variable interest loans by utilizing interest-rate swap contracts. Group earnings and financial conditions may be affected by future interest rate trends.

(5) Risks Involved in Operating Overseas

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

(6) Impact of Changes in Stock Prices

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

(7) Counterparty Credit Risk

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

(8) Risk of Investments

The NAGASE Group business is based on brokered transactions. At the same time, the Group continues to look for new high-value business opportunities. Accordingly, we support the Nagase R&D Center and manufacturing subsidiaries in their pursuit of new business through proactive investment and strategic mergers and acquisitions, using advanced technologies and information-gathering capabilities as leverage.

As a result of pursuing new business, the Group will be exposed to greater risk than were we to follow a conventional brokered business model. The book value of business assets and intangible fixed assets (goodwill, etc.) when acquiring other companies becomes an important management topic. If future cash flows from new businesses underperform projections, and the Group records correlating impairment losses, such losses may have a significant impact on Group earnings and financial condition.

(9) Product Quality Risk

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

(10) Risks related to Product Laws

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

(11) Risk of Natural Disasters

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

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2015 and 2014)

| ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Current assets: | | | |
| Cash and time deposits (Notes 13 and 19) | ¥ 40,575 | ¥ 34,980 | \$ 337,647 |
| Notes and accounts receivable (Note 13) | 208,209 | 202,996 | 1,732,620 |
| Inventories (Note 4) | 69,013 | 57,460 | 574,295 |
| Deferred tax assets (Note 10) | 4,058 | 4,537 | 33,769 |
| Other current assets | 8,797 | 7,324 | 73,205 |
| Less allowance for doubtful accounts | (806) | (936) | (6,707) |
| Total current assets | 329,848 | 306,362 | 2,744,845 |
| Property, plant and equipment, at cost (Note 5): | | | |
| Land | 18,976 | 19,171 | 157,910 |
| Buildings and structures | 54,037 | 51,526 | 449,671 |
| Machinery, equipment and vehicles | 81,968 | 79,542 | 682,100 |
| Leased assets | 513 | 532 | 4,269 |
| Construction in progress | 2,549 | 4,247 | 21,212 |
| | 158,046 | 155,019 | 1,315,187 |
| Less accumulated depreciation | (91,272) | (91,104) | (759,524) |
| Property, plant and equipment, net (Note 20) | 66,774 | 63,914 | 555,663 |
| Investments and other assets: | | | |
| Investments in securities (Notes 6 and 13): | | | |
| Unconsolidated subsidiaries and affiliates | 8,280 | 7,549 | 68,902 |
| Other | 84,358 | 58,725 | 701,989 |
| | 92,638 | 66,275 | 770,891 |
| Long-term loans receivable | 1,139 | 1,168 | 9,478 |
| Goodwill (Note 20) | 27,626 | 29,780 | 229,891 |
| Technology-based assets | 16,942 | 18,517 | 140,984 |
| Asset for retirement benefits (Note 9) | — | 113 | — |
| Deferred tax assets (Note 10) | 2,381 | 2,702 | 19,814 |
| Other assets (Note 5) | 10,553 | 9,525 | 87,817 |
| Less allowance for doubtful accounts | (1,378) | (218) | (11,467) |
| Total investments and other assets | 149,903 | 127,863 | 1,247,424 |
| Total assets (Note 20) | ¥546,525 | ¥498,141 | \$4,547,932 |

See accompanying notes to consolidated financial statements.

| LIABILITIES AND NET ASSETS | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|-----------------|----------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Current liabilities: | | | |
| Notes and accounts payable (Note 13) | ¥105,737 | ¥105,014 | \$ 879,895 |
| Short-term loans (Notes 7 and 13) | 31,388 | 28,818 | 261,197 |
| Current portion of long-term loans and finance lease obligations (Notes 7 and 13) | 6,453 | 6,642 | 53,699 |
| Current portion of bonds (Notes 7 and 13) | 10,000 | — | 83,215 |
| Accrued income taxes (Note 10) | 2,268 | 3,720 | 18,873 |
| Deferred tax liabilities (Note 10) | 19 | 24 | 158 |
| Accrued expenses | 4,009 | 3,493 | 33,361 |
| Accrued bonuses for employees | 4,314 | 4,045 | 35,899 |
| Accrued bonuses for directors | 213 | 232 | 1,772 |
| Other current liabilities | 12,019 | 11,655 | 100,017 |
| Total current liabilities | 176,424 | 163,646 | 1,468,120 |
| Long-term liabilities: | | | |
| Bonds (Notes 7 and 13) | 20,000 | 30,000 | 166,431 |
| Long-term loans and finance lease obligations (Notes 7 and 13) | 30,653 | 27,367 | 255,080 |
| Deferred tax liabilities (Note 10) | 20,272 | 12,506 | 168,694 |
| Liability for retirement benefits (Note 9) | 10,803 | 11,875 | 89,898 |
| Other long-term liabilities | 870 | 853 | 7,240 |
| Total long-term liabilities | 82,600 | 82,603 | 687,360 |
| Contingent liabilities (Note 17) | | | |
| Net assets: | | | |
| Shareholders' equity (Note 11): | | | |
| Common stock: | | | |
| Authorized—346,980,000 shares | | | |
| Issued—127,408,285 shares in 2015 and 138,408,285 shares in 2014 | 9,699 | 9,699 | 80,711 |
| Capital surplus | 11,654 | 10,242 | 96,979 |
| Retained earnings (Note 21) | 205,203 | 206,351 | 1,707,606 |
| Less treasury stock, at cost (Note 12) | | | |
| —376,363 shares in 2015 and 11,375,631 shares in 2014 | (228) | (6,916) | (1,897) |
| Total shareholders' equity | 226,328 | 219,377 | 1,883,399 |
| Accumulated other comprehensive income (loss): | | | |
| Net unrealized holding gain on securities (Note 6) | 44,920 | 24,725 | 373,804 |
| Deferred gain (loss) on hedges (Note 13) | 3 | (0) | 25 |
| Retirement benefit liability adjustments (Note 9) | 666 | 380 | 5,542 |
| Translation adjustments | 9,478 | 2,239 | 78,872 |
| Total accumulated other comprehensive income | 55,069 | 27,346 | 458,259 |
| Minority interests | 6,102 | 5,168 | 50,778 |
| Total net assets | 287,500 | 251,892 | 2,392,444 |
| Total liabilities and net assets | ¥546,525 | ¥498,141 | \$4,547,932 |

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2015 and 2014)

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|----------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Net sales (Note 20) | ¥759,713 | ¥723,212 | \$6,321,986 |
| Cost of sales (Note 15) | 667,722 | 634,276 | 5,556,478 |
| Gross profit | 91,991 | 88,936 | 765,507 |
| Selling, general and administrative expenses (Note 15) | 73,838 | 73,146 | 614,446 |
| Operating income (Note 20) | 18,153 | 15,789 | 151,061 |
| Other income (expenses): | | | |
| Interest and dividend income | 1,456 | 1,304 | 12,116 |
| Interest expense | (1,098) | (1,082) | (9,137) |
| Equity in earnings of affiliates | 616 | 654 | 5,126 |
| Gain on sales of investments in securities (Note 6) | 213 | 867 | 1,772 |
| Loss on sales of investments in capital | (20) | — | (166) |
| Loss on sales of shares of subsidiaries and affiliates | (249) | — | (2,072) |
| Loss on sales of investments in capital of subsidiaries and affiliates | (171) | — | (1,423) |
| Loss on devaluation of investments in securities | (479) | (3) | (3,986) |
| Gain on sales of property, plant and equipment | 392 | 519 | 3,262 |
| Loss on sales of property, plant and equipment | (69) | (45) | (574) |
| Loss on disposal of property, plant and equipment | (84) | (154) | (699) |
| Loss on impairment of fixed assets (Notes 5 and 20) | (602) | (1,314) | (5,010) |
| Gain on bargain purchase of subsidiaries' shares (Note 20) | — | 528 | — |
| Loss on transfer of business | (114) | — | (949) |
| Loss on withdrawal from employees' pension funds | (163) | — | (1,356) |
| Other, net | 1,212 | 1,289 | 10,086 |
| Income before income taxes and minority interests | 18,989 | 18,353 | 158,018 |
| Income taxes (Note 10): | | | |
| Current | 6,238 | 7,128 | 51,910 |
| Deferred | 834 | (906) | 6,940 |
| Income before minority interests | 11,916 | 12,131 | 99,160 |
| Minority interests | 597 | 468 | 4,968 |
| Net income | ¥ 11,318 | ¥ 11,663 | \$ 94,183 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2015 and 2014)

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|---------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Income before minority interests | ¥11,916 | ¥12,131 | \$99,160 |
| Other comprehensive income (Note 8): | | | |
| Net unrealized holding gain on securities | 20,186 | 6,780 | 167,979 |
| Deferred gain on hedges | 3 | 6 | 25 |
| Translation adjustments | 7,339 | 3,549 | 61,072 |
| Retirement benefit liability adjustments | 285 | 1,368 | 2,372 |
| Share of other comprehensive income of affiliates accounted for by the equity method | 720 | 198 | 5,992 |
| | 28,536 | 11,903 | 237,464 |
| Comprehensive income | ¥40,453 | ¥24,035 | \$336,631 |
| Comprehensive income attributable to: | | | |
| Shareholders of the Company | ¥39,085 | ¥23,163 | \$325,248 |
| Minority interests | ¥ 1,367 | ¥ 871 | \$ 11,376 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2015 and 2014)

| | Millions of yen | | | | | | | | | | | | |
|--|-----------------|-----------------|-------------------|-------------------------|----------------------------|---|---|--|-------------------------|--|--------------------------|--------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain (loss) on securities hedges | Deferred gain (loss) on securities hedges | Retirement benefit liability adjustment (Note 9) | Translation adjustments | Total accumulated other comprehensive income | Stock acquisition rights | Minority interests | Total net assets |
| Balance at April 1, 2013 | ¥9,699 | ¥10,041 | ¥199,160 | ¥(7,109) | ¥211,792 | ¥17,943 | ¥(6) | ¥ | ¥(1,223) | ¥16,712 | ¥50 | ¥9,250 | ¥237,806 |
| Cumulative effects of changes in accounting policies | — | — | (671) | — | (671) | — | — | (982) | — | (982) | — | (5) | (1,659) |
| Adjusted balance at April 1, 2013 | 9,699 | 10,041 | 198,489 | (7,109) | 211,120 | 17,943 | (6) | (982) | (1,223) | 15,730 | 50 | 9,244 | 236,146 |
| Net income for the year | — | — | 11,663 | — | 11,663 | — | — | — | — | — | — | — | 11,663 |
| Gain on sales of treasury stock | — | 201 | — | — | 201 | — | — | — | — | — | — | — | 201 |
| Cash dividends | — | — | (3,425) | — | (3,425) | — | — | — | — | — | — | — | (3,425) |
| Purchases of treasury stock | — | — | — | (1) | (1) | — | — | — | — | — | — | — | (1) |
| Disposition of treasury stock | — | — | — | 194 | 194 | — | — | — | — | — | — | — | 194 |
| Decrease in retained earnings resulting from changes in scope of consolidation | — | — | (220) | — | (220) | — | — | — | — | — | — | — | (220) |
| Adjustments due to change in scope of application of equity method | — | — | (154) | — | (154) | — | — | — | — | — | — | — | (154) |
| Other changes | — | — | — | — | — | 6,782 | 6 | 1,362 | 3,463 | 11,615 | (50) | (4,075) | 7,488 |
| Balance at April 1, 2014 | 9,699 | 10,242 | 206,351 | (6,916) | 219,377 | 24,725 | (0) | 380 | 2,239 | 27,346 | — | 5,168 | 251,892 |
| Cumulative effects of changes in accounting policies (Note 3) | — | 1,998 | (2,791) | — | (792) | — | — | — | (64) | (64) | — | — | (857) |
| Adjusted balance at April 1, 2014 | 9,699 | 12,240 | 203,560 | (6,916) | 218,584 | 24,725 | (0) | 380 | 2,175 | 27,281 | — | 5,168 | 251,035 |
| Net income for the year | — | — | 11,318 | — | 11,318 | — | — | — | — | — | — | — | 11,318 |
| Gain on sales of treasury stock | — | 0 | — | — | 0 | — | — | — | — | — | — | — | 0 |
| Cash dividends | — | — | (3,683) | — | (3,683) | — | — | — | — | — | — | — | (3,683) |
| Purchases of treasury stock | — | — | — | (1) | (1) | — | — | — | — | — | — | — | (1) |
| Disposition of treasury stock | — | — | — | 0 | 0 | — | — | — | — | — | — | — | 0 |
| Retirement of treasury stock | — | (607) | (6,081) | 6,688 | — | — | — | — | — | — | — | — | — |
| Changes in parent's ownership interest due to transactions with minority interests | — | 21 | — | — | 21 | — | — | — | — | — | — | — | 21 |
| Increase in retained earnings resulting from changes in scope of consolidation | — | — | 89 | — | 89 | — | — | — | — | — | — | — | 89 |
| Other changes | — | — | — | — | — | 20,194 | 3 | 285 | 7,303 | 27,787 | — | 933 | 28,720 |
| Balance at March 31, 2015 | ¥9,699 | ¥11,654 | ¥205,203 | ¥ (228) | ¥226,328 | ¥44,920 | ¥3 | ¥ 666 | ¥ 9,478 | ¥55,069 | ¥— | ¥6,102 | ¥287,500 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | | |
|--|------------------------------------|-----------------|-------------------|-------------------------|----------------------------|---|---|--|-------------------------|--|--------------------|------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity | Net unrealized holding gain (loss) on securities hedges | Deferred gain (loss) on securities hedges | Retirement benefit liability adjustment (Note 9) | Translation adjustments | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at April 1, 2014 | \$80,711 | \$85,229 | \$1,717,159 | \$(57,552) | \$1,825,555 | \$205,750 | \$(0) | \$3,162 | \$18,632 | \$227,561 | \$43,006 | \$2,096,130 |
| Cumulative effects of changes in accounting policies (Note 3) | — | 16,626 | (23,225) | — | (6,591) | — | — | — | (533) | (533) | — | (7,132) |
| Adjusted balance at April 1, 2014 | 80,711 | 101,856 | 1,693,934 | (57,552) | 1,818,956 | 205,750 | (0) | 3,162 | 18,099 | 227,028 | 43,006 | 2,088,999 |
| Net income for the year | — | — | 94,183 | — | 94,183 | — | — | — | — | — | — | 94,183 |
| Gain on sales of treasury stock | — | 0 | — | — | 0 | — | — | — | — | — | — | 0 |
| Cash dividends | — | — | (30,648) | — | (30,648) | — | — | — | — | — | — | (30,648) |
| Purchases of treasury stock | — | — | — | (8) | (8) | — | — | — | — | — | — | (8) |
| Disposition of treasury stock | — | — | — | 0 | 0 | — | — | — | — | — | — | 0 |
| Retirement of treasury stock | — | (5,051) | (50,603) | 55,654 | — | — | — | — | — | — | — | — |
| Changes in parent's ownership interest due to transactions with minority interests | — | 175 | — | — | 175 | — | — | — | — | — | — | 175 |
| Increase in retained earnings resulting from changes in scope of consolidation | — | — | 741 | — | 741 | — | — | — | — | — | — | 741 |
| Other changes | — | — | — | — | — | 168,045 | 25 | 2,372 | 60,772 | 231,231 | 7,764 | 238,995 |
| Balance at March 31, 2015 | \$80,711 | \$96,979 | \$1,707,606 | \$(1,897) | \$1,883,399 | \$373,804 | \$25 | \$5,542 | \$78,872 | \$458,259 | \$50,778 | \$2,392,444 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2015 and 2014)

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--|-----------------|-----------|---------------------------------------|
| | 2015 | 2014 | 2015 |
| Operating activities | | | |
| Income before income taxes and minority interests | ¥ 18,989 | ¥ 18,353 | \$158,018 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | |
| Depreciation and amortization other than amortization of goodwill | 9,292 | 8,634 | 77,324 |
| Amortization of goodwill | 1,623 | 1,685 | 13,506 |
| Loss on impairment of fixed assets | 602 | 1,314 | 5,010 |
| (Decrease) increase in liability for retirement benefits | (507) | 1,128 | (4,219) |
| Interest and dividend income | (1,456) | (1,304) | (12,116) |
| Interest expense | 1,098 | 1,082 | 9,137 |
| Exchange loss, net | 882 | 296 | 7,340 |
| Gain on sales of property, plant and equipment, net | (322) | (473) | (2,680) |
| Loss (gain) on sales of investments in securities, investments in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net | 228 | (840) | 1,897 |
| Changes in operating assets and liabilities: | | | |
| Notes and accounts receivable | 2,430 | (1,983) | 20,221 |
| Inventories | (7,172) | (3,274) | (59,682) |
| Notes and accounts payable | (4,993) | (6,488) | (41,549) |
| Other, net | 2,324 | 281 | 19,339 |
| Subtotal | 23,019 | 18,412 | 191,554 |
| Interest and dividends received | 1,893 | 1,750 | 15,753 |
| Interest paid | (1,128) | (1,122) | (9,387) |
| Income taxes paid | (8,310) | (6,319) | (69,152) |
| Net cash provided by operating activities | ¥ 15,474 | ¥ 12,721 | \$128,768 |
| Investing activities | | | |
| Purchases of property, plant and equipment | ¥(10,899) | ¥(10,131) | \$ (90,697) |
| Proceeds from sales of property, plant and equipment | 1,022 | 812 | 8,505 |
| Purchases of investments in securities | (624) | (3,360) | (5,193) |
| Proceeds from sales of investments in securities | 2,456 | 1,832 | 20,438 |
| Purchases of investments in capital included in other assets | — | (1,143) | — |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (305) | — | (2,538) |
| Increase in short-term loans receivable included in other current assets, net | (2) | (542) | (17) |
| Decrease (increase) in time deposits, net | 1,165 | (136) | 9,695 |
| Purchases of intangible fixed assets included in other assets | (1,046) | (1,669) | (8,704) |
| Proceeds from transfer of business | 497 | — | 4,136 |
| Other, net | 4 | 168 | 33 |
| Net cash used in investing activities | (7,732) | (14,171) | (64,342) |
| Financing activities | | | |
| (Decrease) increase in short-term loans payable, net | (1,585) | 1,337 | (13,190) |
| Proceeds from long-term loans | 9,327 | 999 | 77,615 |
| Repayments of long-term loans | (6,805) | (10,484) | (56,628) |
| Purchase of treasury stock | (1) | (1) | (8) |
| Cash dividends paid | (3,683) | (3,425) | (30,648) |
| Cash dividends paid to minority shareholders | (334) | (545) | (2,779) |
| Other, net | (122) | 286 | (1,015) |
| Net cash used in financing activities | (3,205) | (11,833) | (26,671) |
| Effect of exchange rate changes on cash and cash equivalents | 2,129 | 1,179 | 17,717 |
| Net increase (decrease) in cash and cash equivalents | 6,664 | (12,103) | 55,455 |
| Cash and cash equivalents at beginning of the year | 33,825 | 45,816 | 281,476 |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | 32 | 113 | 266 |
| Decrease in cash and cash equivalents resulting from exclusion of subsidiaries in consolidation | — | (1) | — |
| Cash and cash equivalents at end of the year (Note 19) | ¥ 40,522 | ¥ 33,825 | \$337,206 |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2015)

1. BASIS OF PREPARATION

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

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

In addition, a certain reclassification of previously stated amounts has been made to conform the consolidated financial statements for the year ended March 31, 2014 to the 2015 presentation. Such reclassification had no effect on consolidated net income

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

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

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

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

(b) Foreign Currency Translation

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

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

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

(c) Cash and Cash Equivalents

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

(d) Inventories

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

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable

or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥120.17 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2015. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2015 and 2014 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2015 and 2014 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

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

Property, plant and equipment are stated at cost.

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

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

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

(g) Intangible Assets (except for leased assets)

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

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

(h) Goodwill

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

(i) Leased Assets

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

(j) Allowance for Doubtful Accounts

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

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the enacted tax laws.

(l) Accrued Bonuses for Employees

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

(m) Accrued Bonuses for Directors

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

(n) Liabilities for Retirement Benefits

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

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

(o) Derivatives and Hedging Activities

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

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

3. ACCOUNTING CHANGES

Accounting Standard for Business Combinations

As "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No.21 issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on September 13, 2013), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on September 13, 2013) were permitted to be adopted effective April 1, 2014, the Company adopted these standards, except for paragraph 39 of ASBJ Statement No.22, effective the year ended March 31, 2015.

In accordance with the adoption, any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary are recorded in "Capital surplus" and acquisition-related costs are charged to income as incurred. In addition, for the business combinations which occur on or subsequent to April 1, 2014, the adjustments of purchase price allocation resulting from the completion of provisional accounting treatment are reflected in the consolidated financial statements of the year

4. INVENTORIES

Inventories at March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Merchandise and finished goods | ¥63,719 | ¥53,075 | \$530,240 |
| Work in process | 1,668 | 1,344 | 13,880 |
| Raw materials and supplies | 3,625 | 3,039 | 30,166 |
| Total | ¥69,013 | ¥57,460 | \$574,295 |

interest rates on loans from financial institutions.

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

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

(p) Research and Development Costs

Research and development costs are charged to income when incurred.

(q) Distributions of Retained Earnings

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 21.)

in which the business combination occurred.

In accordance with transitional provisions set forth in paragraph 58-2 (3) of ASBJ Statement No.21, paragraph 44-5 (3) of ASBJ Statement No.22, and paragraph 57-4 (3) of ASBJ Statement No.7, the Company adjusted the balances of capital surplus and retained earnings at April 1, 2014 by reflecting the cumulative effects assuming that these new accounting policies had been applied to previous fiscal years.

As a result, effective April 1, 2014, goodwill decreased by ¥857 million (\$7,132 thousand), retained earnings decreased by ¥2,791 million (\$23,225 thousand), translation adjustments decreased by ¥64 million (\$533 thousand) and capital surplus increased by ¥1,998 million (\$16,626 thousand) from the corresponding amounts accounted for under the previous policies.

The effect on operating income and income before income taxes and minority interests for the year ended March 31, 2015 as a result of these accounting changes was immaterial.

5. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2015 and 2014 was as follows:

| Major use | Classification | Area | Millions of yen | Thousands of U.S. dollars |
|---|--|----------------|-----------------|---------------------------|
| | | | 2015 | 2015 |
| Business-use assets for manufacturing and selling of rechargeable battery systems | Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets | Tokai | ¥ 78 | \$ 649 |
| Business-use assets for manufacturing of polymer products | Buildings and structures, machinery, equipment and vehicles, intangible assets included in other assets | Jiangsu, China | 74 | 616 |
| Business-use assets for semiconductors and display devices | Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets, long-term prepaid expenses included in other assets | Kanto | 176 | 1,465 |
| Idle assets | Land, buildings and structures | Chugoku | 273 | 2,272 |
| Total | | | ¥602 | \$5,010 |

| Major use | Classification | Area | Millions of yen |
|---|--|--------------|-----------------|
| | | | 2014 |
| Business-use assets for manufacturing and selling of rechargeable battery systems | Land, buildings and structures, machinery, equipment and vehicles, leased assets, construction in progress, intangible assets included in other assets | Tokai | ¥1,039 |
| Business-use assets for car electronics | Machinery, equipment and vehicles, intangible assets in other assets | Kanto | 40 |
| Processing equipment for software duplication business | Land | Kanto | 194 |
| Idle assets | Land, construction in progress | Kanto, Kinki | 40 |
| Total | | | ¥1,314 |

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

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

Due to declining fair value, the carrying values of idle assets were reduced to their recoverable amounts.

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

For the year ended March 31, 2014, due to decreasing profitability of manufactur-

ing and selling facilities for rechargeable battery systems and due to a cessation in development activities of car electronics business, the carrying value was reduced to their recoverable amounts.

Due to declining fair value, the carrying values of certain common-use assets in processing equipment for software duplication business were reduced to their recoverable amounts.

Due to declining fair value, the carrying values of idle assets were reduced to their recoverable amounts.

The recoverable amounts were measured at net selling value or value in use. Net selling value was calculated based on the appraisal value published by the tax authorities or the real estate appraisers. Net selling value for assets to be disposed of was set at zero since it is difficult to sell them or use them for any purpose other than their original purpose.

6. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | | | | |
|--|-----------------|-------------------|------------------------|----------------|-------------------|------------------------|
| | 2015 | | | 2014 | | |
| | Carrying value | Acquisition costs | Unrealized gain (loss) | Carrying value | Acquisition costs | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition costs: | | | | | | |
| Equity securities | ¥81,986 | ¥16,698 | ¥65,287 | ¥53,938 | ¥16,394 | ¥37,543 |
| Securities whose carrying value does not exceed their acquisition costs: | | | | | | |
| Equity securities | 138 | 142 | (3) | 571 | 620 | (49) |
| Total | ¥82,124 | ¥16,840 | ¥65,283 | ¥54,509 | ¥17,015 | ¥37,494 |

| | Thousands of U.S. dollars | | |
|--|---------------------------|-------------------|------------------------|
| | 2015 | | |
| | Carrying value | Acquisition costs | Unrealized gain (loss) |
| Securities whose carrying value exceeds their acquisition costs: | | | |
| Equity securities | \$682,250 | \$138,953 | \$543,289 |
| Securities whose carrying value does not exceed their acquisition costs: | | | |
| Equity securities | 1,148 | 1,182 | (25) |
| Total | \$683,399 | \$140,135 | \$543,255 |

"Acquisition costs" in the above table represent the carrying amount after recognizing impairment losses. The Company and its consolidated subsidiaries did not recognize any impairment losses on valuation of marketable securities for the years ended March 31, 2015 and 2014.

(b) Securities classified as other securities for which market value was not determinable at March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------|-----------------|----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| | Carrying value | Carrying value | Carrying value |
| Market value not determinable: | | | |
| Equity securities | ¥2,234 | ¥4,216 | \$18,590 |
| Total | ¥2,234 | ¥4,216 | \$18,590 |

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| | Carrying value | Carrying value | Carrying value |
| Proceeds from sales | ¥2,456 | ¥1,675 | \$20,438 |
| Gain on sales | 213 | 856 | 1,772 |
| Loss on sales | 0 | 2 | 0 |

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

Short-term loans at March 31, 2015 and 2014, principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 1.38% and 1.69% per annum, respectively.

Long-term loans, bonds and finance lease obligations at March 31, 2015 and 2014 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| | Carrying value | Carrying value | Carrying value |
| Unsecured loans primarily from banks and insurance companies, payable in Yen, U.S. dollars, Euro, Malaysian ringgit and RMB, due through 2023, at rates from 0.54% to 5.84% | ¥36,700 | ¥33,736 | \$305,401 |
| Unsecured bonds in Yen, due 2015, at a rate of 0.306% | 10,000 | 10,000 | 83,215 |
| Unsecured bonds in Yen, due 2017, at a rate of 0.442% | 10,000 | 10,000 | 83,215 |
| Unsecured bonds in Yen, due 2019, at a rate of 0.753% | 10,000 | 10,000 | 83,215 |
| Lease obligations | 407 | 273 | 3,387 |
| | 67,107 | 64,010 | 558,434 |
| Less current portion | (16,454) | (6,642) | (136,923) |
| Total | ¥50,653 | ¥57,367 | \$421,511 |

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2015 are summarized as follows:

| Years ending March 31, | Millions of yen | Thousands of U.S. dollars |
|------------------------|-----------------|---------------------------|
| 2016 | ¥16,454 | \$136,923 |
| 2017 | 8,788 | 73,130 |
| 2018 | 13,288 | 110,577 |
| 2019 | 10,391 | 86,469 |
| 2020 | 10,045 | 83,590 |
| 2021 and thereafter | 8,140 | 67,737 |
| Total | ¥67,107 | \$558,434 |

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2015 and 2014 is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Lines of credit | ¥10,000 | ¥13,000 | \$83,215 |
| Credit utilized | — | — | — |

8. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Net unrealized holding gain on investments in securities: | | | |
| Amount arising during the year | ¥28,014 | ¥11,258 | \$233,120 |
| Reclassification adjustments for gains and losses realized in the statement of income | (192) | (853) | (1,598) |
| Amount before tax effect | 27,821 | 10,404 | 231,514 |
| Tax effect | (7,634) | (3,624) | (63,527) |
| Net unrealized holding gain on investments in securities | 20,186 | 6,780 | 167,979 |
| Deferred gain (loss) on hedges: | | | |
| Amount arising during the year | (200) | (124) | (1,664) |
| Reclassification adjustments for gains and losses realized in the statement of income | 206 | 134 | 1,714 |
| Amount before tax effect | 5 | 10 | 42 |
| Tax effect | (1) | (3) | (8) |
| Deferred gain on hedges | 3 | 6 | 25 |
| Translation adjustments: | | | |
| Amount arising during the year | 7,280 | 3,549 | 60,581 |
| Reclassification adjustments for gains and losses realized in the statement of income | 58 | — | 483 |
| Translation adjustments | 7,339 | 3,549 | 61,072 |
| Retirement benefit liability adjustments: | | | |
| Amount arising during the year | 847 | 553 | 7,048 |
| Reclassification adjustments for gains and losses realized in the statement of income | (439) | 1,554 | (3,653) |
| Amount before tax effect | 408 | 2,108 | 3,395 |
| Tax effect | (122) | (739) | (1,015) |
| Retirement benefit liability adjustments | 285 | 1,368 | 2,372 |
| Share of other comprehensive income of affiliates accounted for by the equity method: | | | |
| Amount arising during the year | 720 | 198 | 5,992 |
| Total other comprehensive income | ¥28,536 | ¥11,903 | \$237,464 |

9. RETIREMENT BENEFIT PLANS

(a) Outline of retirement benefit plans for employees

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

tion to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit pension plans

The changes in the retirement benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Balance at the beginning of the year | ¥29,321 | ¥28,103 | \$243,996 |
| Cumulative effects of changes in accounting policies | — | 1,043 | — |
| Adjusted balance at the beginning of the year | 29,321 | 29,146 | 243,996 |
| Service cost | 1,297 | 1,362 | 10,793 |
| Interest cost | 369 | 371 | 3,071 |
| Actuarial differences | 197 | 41 | 1,639 |
| Retirement benefits paid | (1,283) | (1,617) | (10,677) |
| Changes in scope of consolidation | (336) | — | (2,796) |
| Other | 47 | 17 | 391 |
| Balance at the end of the year | ¥29,613 | ¥29,321 | \$246,426 |

The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Balance at the beginning of the year | ¥17,559 | ¥16,392 | \$146,118 |
| Expected return on plan assets | 367 | 368 | 3,054 |
| Actuarial differences | 1,044 | 596 | 8,688 |
| Contributions by the Company and its consolidated subsidiaries | 816 | 1,086 | 6,790 |
| Retirement benefits paid | (718) | (889) | (5,975) |
| Changes in scope of consolidation | (271) | — | (2,255) |
| Other | 13 | 6 | 108 |
| Balance at the end of the year | ¥18,810 | ¥17,559 | \$156,528 |

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Funded retirement benefit obligation | ¥19,340 | ¥19,346 | \$160,939 |
| Plan assets at fair value | (18,810) | (17,559) | (156,528) |
| | 529 | 1,786 | 4,402 |
| Unfunded retirement benefit obligation | 10,273 | 9,975 | 85,487 |
| Net liability for retirement benefits in the balance sheet | 10,803 | 11,761 | 89,898 |
| Liability for retirement benefits | 10,803 | 11,875 | 89,898 |
| Asset for retirement benefits | — | (113) | — |
| Net liability for retirement benefits in the balance sheet | ¥10,803 | ¥11,761 | \$89,898 |

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------------------------|-----------------|--------|---------------------------|
| | 2015 | 2014 | 2015 |
| Service cost | ¥1,297 | ¥1,362 | \$10,793 |
| Interest cost | 369 | 371 | 3,071 |
| Expected return on plan assets | (367) | (368) | (3,054) |
| Amortization of actuarial differences | (439) | 1,554 | (3,653) |
| Other | 166 | 27 | 1,381 |
| Retirement benefit expense | ¥1,027 | ¥2,947 | \$8,546 |

Actuarial differences included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------------|-----------------|--------|---------------------------|
| | 2015 | 2014 | 2015 |
| Actuarial differences | ¥408 | ¥2,108 | \$3,395 |

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------|-----------------|------|---------------------------|
| | 2015 | 2014 | 2015 |
| Unrecognized actuarial differences | ¥999 | ¥591 | \$8,313 |

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2015 and 2014 is as follows:

| | 2015 | 2014 |
|--------|------|------|
| Bonds | 71% | 68% |
| Stocks | 17 | 17 |
| Other | 12 | 15 |
| Total | 100% | 100% |

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

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

| | 2015 | 2014 |
|--|------|------|
| Discount rate | 1.4% | 1.4% |
| Expected long-term rate of return on plan assets | 2.1% | 2.1% |

(c) Defined contribution pension plans

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
| | 2015 | 2014 | 2015 |
| Contributions to defined contribution pension plans by the Company and its consolidated subsidiaries | ¥238 | ¥251 | \$1,981 |

10. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 differ from the statutory tax rates for the following reasons:

| | 2015 | 2014 |
|---|--------|--------|
| Statutory tax rates | 35.6% | 38.0% |
| Adjustments for: | | |
| Expenses not deductible for income tax purposes | 2.9 | 2.9 |
| Dividends and other income deductible for income tax purposes | (17.0) | (12.9) |
| Net adjustment resulting from elimination of dividend income upon consolidation | 16.8 | 12.8 |
| Different tax rates applied at overseas subsidiaries | (6.2) | (7.5) |
| Tax credit | (1.0) | (0.5) |
| Amortization of goodwill | 3.0 | 3.5 |
| Valuation allowance | 1.8 | (4.4) |
| Decrease in deferred tax assets resulting from change in statutory tax rate | 2.7 | 1.5 |
| Other, net | (1.4) | 0.5 |
| Effective tax rates | 37.2% | 33.9% |

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Deferred tax assets: | | | |
| Accrued bonuses for employees | ¥ 1,258 | ¥ 1,283 | \$ 10,469 |
| Allowance for doubtful accounts | 417 | 234 | 3,470 |
| Unrealized gain on inventories | 574 | 501 | 4,777 |
| Accrued enterprise taxes | 192 | 288 | 1,598 |
| Tax loss carryforwards | 14,424 | 17,008 | 120,030 |
| Liability for retirement benefits | 3,487 | 4,160 | 29,017 |
| Investments in securities | 1,025 | 1,010 | 8,530 |
| Loss on impairment of fixed assets | 791 | 998 | 6,582 |
| Other | 2,254 | 2,298 | 18,757 |
| Gross deferred tax assets | 24,427 | 27,785 | 203,270 |
| Valuation allowance | (9,482) | (10,157) | (78,905) |
| Total deferred tax assets | ¥ 14,945 | ¥ 17,628 | \$ 124,365 |
| Deferred tax liabilities: | | | |
| Technology-based assets | ¥ (5,443) | ¥ (6,551) | \$ (45,294) |
| Deferred capital gain on property | (1,821) | (2,062) | (15,154) |
| Reserve for special depreciation | (216) | (422) | (1,797) |
| Undistributed earnings of overseas subsidiaries | (417) | (400) | (3,470) |
| Revaluation of land | (328) | (378) | (2,729) |
| Net unrealized holding gain on securities | (20,422) | (12,792) | (169,943) |
| Other | (146) | (311) | (1,215) |
| Total deferred tax liabilities | (28,796) | (22,920) | (239,627) |
| Net deferred tax liabilities | ¥(13,851) | ¥ (5,291) | \$(115,262) |

On March 31, 2015, the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were officially issued. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities were reduced from 35.6% to 33.1% for temporary differences that are expected to be realized during the period from April 1, 2015 to March 31, 2016 and to 32.3% for those that are expected to be realized on or after April 1, 2016.

As a result of this change, deferred tax liabilities, net of deferred tax assets,

11. SHAREHOLDERS' EQUITY

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

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

The Company's legal reserve included in retained earnings at March 31, 2015 and

decreased by ¥1,599 million (\$13,306 thousand) and income taxes – deferred (debit) and accumulated other comprehensive income increased by ¥510 million (\$4,244 thousand) and ¥2,110 million (\$17,558 thousand), respectively, as of and for the year ended March 31, 2015.

In addition, the tax rule on carryforward of tax loss was revised. The effect of this revision was to decrease deferred tax assets by ¥643 million (\$5,351 thousand) and increase income taxes – deferred (debit) by ¥643 million (\$5,351 thousand) as of and for the year ended March 31, 2015.

2014 amounted to ¥2,424 million (\$20,171 thousand).

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

Movements in common stock during the years ended March 31, 2015 and 2014 are summarized as follows:

| | Number of shares | | | |
|--------------|------------------|----------|------------|----------------|
| | 2015 | | | |
| | April 1, 2014 | Increase | Decrease | March 31, 2015 |
| Common stock | 138,408,285 | — | 11,000,000 | 127,408,285 |
| | 2014 | | | |
| | April 1, 2013 | Increase | Decrease | March 31, 2014 |
| Common stock | 138,408,285 | — | — | 138,408,285 |

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

12. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2015 and 2014 are summarized as follows:

| | Number of shares | | | |
|----------------|------------------|----------|------------|----------------|
| | 2015 | | | |
| | April 1, 2014 | Increase | Decrease | March 31, 2015 |
| Treasury stock | 11,375,631 | 810 | 11,000,078 | 376,363 |
| | 2014 | | | |
| | April 1, 2013 | Increase | Decrease | March 31, 2014 |
| Treasury stock | 11,693,809 | 922 | 319,100 | 11,375,631 |

The increase in treasury stock consists of 810 shares resulting from the purchase of shares of less than one voting unit for the year ended March 31, 2015. The decrease in treasury stock consists of 11,000,000 shares resulting from retirement of treasury stock by resolution of the Board of Directors and 78 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2015.

The increase in treasury stock consists of 922 shares resulting from the purchase of shares of less than one voting unit for the year ended March 31, 2014. The decrease in treasury stock consists of 319,000 shares resulting from the exercise of stock option plans and 100 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2014.

13. FINANCIAL INSTRUMENTS

(a) Policy for Financial Instruments

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

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

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

In the cases of those receivables and liabilities denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation. However, for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward exchange contracts are used solely for the netted position.

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

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

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

In addition, operating liabilities and bank loans are exposed to liquidity risk. However, the Group monitors the balance of inflow and outflow of cash, managing such risk by establishing liquidity on hand in excess of half of the amount of monthly net sales.

(c) Market Value of Financial Instruments

Carrying amount, estimated fair value and difference as of March 31, 2015 and 2014 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

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

| | Millions of yen | | |
|--------------------------------------|-----------------|----------------------|-------------|
| | 2014 | | |
| | Carrying amount | Estimated fair value | Difference |
| Assets | | | |
| Cash and time deposits | ¥ 34,980 | ¥ 34,980 | ¥ — |
| Notes and accounts receivable | 202,996 | 202,996 | — |
| Investments in securities | | | |
| Other securities | 54,509 | 54,509 | — |
| Total assets | ¥292,486 | ¥292,486 | ¥ — |
| Liabilities | | | |
| Notes and accounts payable | ¥105,014 | ¥105,014 | ¥ (0) |
| Short-term loans | 28,818 | 28,818 | — |
| Current portion of long-term loans | 6,596 | 6,596 | — |
| Bonds | 30,000 | 30,215 | 215 |
| Long-term loans | 27,140 | 27,412 | 272 |
| Total liabilities | ¥197,569 | ¥198,056 | ¥487 |
| Derivatives (*) | | | |
| Not subject to hedge accounting | ¥ (76) | ¥ (76) | ¥ — |
| Subject to hedge accounting | (1) | (1) | — |
| Total derivative transactions | ¥ (78) | ¥ (78) | ¥ — |

| | Thousands of U.S. dollars | | |
|--------------------------------------|---------------------------|----------------------|----------------|
| | 2015 | | |
| | Carrying amount | Estimated fair value | Difference |
| Assets | | | |
| Cash and time deposits | \$ 337,647 | \$ 337,647 | \$ — |
| Notes and accounts receivable | 1,732,620 | 1,732,620 | — |
| Investments in securities | | | |
| Other securities | 683,399 | 683,399 | — |
| Total assets | \$2,753,674 | \$2,753,674 | \$ — |
| Liabilities | | | |
| Notes and accounts payable | \$ 879,895 | \$ 879,895 | \$ (0) |
| Short-term loans | 261,197 | 261,197 | — |
| Current portion of long-term loans | 53,066 | 53,066 | — |
| Current portion of bonds | 83,215 | 83,232 | 17 |
| Bonds | 166,431 | 168,353 | 1,922 |
| Long-term loans | 252,326 | 254,714 | 2,380 |
| Total liabilities | \$1,696,147 | \$1,700,466 | \$4,311 |
| Derivatives (*) | | | |
| Not subject to hedge accounting | \$ (1,548) | \$ (1,548) | \$ — |
| Subject to hedge accounting | 25 | 25 | — |
| Total derivative transactions | \$ (1,523) | \$ (1,523) | \$ — |

*Receivables and payables arising from derivative transactions are presented as a net amount. Net payables are presented in parentheses.

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

Cash and time deposits

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

Notes and accounts receivable

The fair value of trade notes and accounts receivable is estimated as the present value of future cash flow of each receivable classified by settlement date and discounted at the market rate of interest at the reporting date.

Investments in securities

The fair value of investment in securities is based on quoted market prices. Please refer to Note 6 regarding information on securities by holding objective.

Notes and accounts payable

The fair value of trade notes and accounts payable is estimated as the present value of

future cash flow of each payable classified by settlement date and discounted at the market rate of interest at the reporting date.

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

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

Current portion of bonds and bonds

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

Long-term loans

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

Derivative transactions

Please refer to Note 14.

The carrying value of financial instruments without determinable market value at March 31, 2015 and 2014 is presented as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|----------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Unlisted equity securities | ¥ 2,234 | ¥ 4,216 | \$18,590 |
| Investments in unconsolidated subsidiaries and affiliates | 8,280 | 7,549 | 68,902 |
| Total | ¥10,514 | ¥11,765 | \$87,493 |

For the above securities, there is no market price and it is difficult to determine the fair value. Therefore, the fair value of the securities is not included in investments in securities in the summary table of financial instruments.

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2015 is summarized as follows:

| | Millions of yen | |
|-------------------------------|-----------------|-----------------------------------|
| | Within 1 year | Over 1 year and less than 5 years |
| Time deposits | ¥ 40,526 | ¥ — |
| Notes and accounts receivable | 208,209 | — |
| Total | ¥248,736 | ¥ — |

| | Thousands of U.S. dollars | |
|-------------------------------|---------------------------|-----------------------------------|
| | Within 1 year | Over 1 year and less than 5 years |
| Time deposits | \$ 337,239 | \$ — |
| Notes and accounts receivable | 1,732,620 | — |
| Total | \$2,069,868 | \$ — |

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 7.

14. DERIVATIVES AND HEDGING ACTIVITIES

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2015 and 2014 are as follows:

| | | Millions of yen | | | |
|--|--|-----------------|------------------------------|----------------------|--------------------------|
| | | 2015 | | | |
| Type | | Contract value | Contract value over one year | Estimated fair value | Unrecognized gain (loss) |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| U.S. dollars | | ¥ 8,464 | ¥— | ¥ (98) | ¥ (98) |
| Yen | | 2,386 | — | (74) | (74) |
| Euro | | 718 | — | 35 | 35 |
| RMB | | 577 | — | (13) | (13) |
| SGD | | 99 | 66 | (2) | (2) |
| Others | | 18 | — | 0 | 0 |
| Buying: | | | | | |
| U.S. dollars | | 1,683 | — | (30) | (30) |
| Yen | | 394 | — | (0) | (0) |
| Euro | | 84 | — | (2) | (2) |
| Others | | 14 | — | 0 | 0 |
| Total | | ¥14,443 | ¥66 | ¥(186) | ¥(186) |

| | | Millions of yen | | | |
|--|--|-----------------|------------------------------|----------------------|--------------------------|
| | | 2014 | | | |
| Type | | Contract value | Contract value over one year | Estimated fair value | Unrecognized gain (loss) |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| U.S. dollars | | ¥ 7,102 | ¥— | ¥(56) | ¥(56) |
| Yen | | 326 | — | (8) | (8) |
| Euro | | 864 | — | (5) | (5) |
| RMB | | 506 | — | 10 | 10 |
| Others | | 17 | — | (0) | (0) |
| Buying: | | | | | |
| U.S. dollars | | 1,975 | — | (4) | (4) |
| Yen | | 1,494 | — | (11) | (11) |
| Euro | | 52 | — | 0 | 0 |
| Others | | 9 | — | 0 | 0 |
| Total | | ¥12,348 | ¥— | ¥(76) | ¥(76) |

| | | Thousands of U.S. dollars | | | |
|--|--|---------------------------|------------------------------|----------------------|--------------------------|
| | | 2015 | | | |
| Type | | Contract value | Contract value over one year | Estimated fair value | Unrecognized gain (loss) |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| U.S. dollars | | \$ 70,434 | \$ — | \$ (816) | \$ (816) |
| Yen | | 19,855 | — | (616) | (616) |
| Euro | | 5,975 | — | 291 | 291 |
| RMB | | 4,802 | — | (108) | (108) |
| SGD | | 824 | 549 | (17) | (17) |
| Others | | 150 | — | 0 | 0 |
| Buying: | | | | | |
| U.S. dollars | | 14,005 | — | (250) | (250) |
| Yen | | 3,279 | — | 0 | (0) |
| Euro | | 699 | — | (17) | (17) |
| Others | | 117 | — | 0 | 0 |
| Total | | \$120,188 | \$549 | \$(1,548) | \$(1,548) |

Fair value is based on the prices obtained from financial institutions.

The open currency-related derivatives positions designated as hedging instruments at March 31, 2015 and 2014 are as follows:

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

| | | Millions of yen | | | |
|---|--------------------------------|---------------------|--|--|----------------------|
| | | 2014 | | | |
| Method for hedge accounting | Type of derivative transaction | Major hedged item | Contract value (notional principal amount) | Contract value (notional principal amount over one year) | Estimated fair value |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| Deferral hedge accounting | U.S. dollars | | ¥ 51 | ¥— | ¥(0) |
| | Euro | Accounts receivable | 544 | — | (3) |
| | Others | | 63 | — | 1 |
| Buying: | | | | | |
| Allocation method for foreign currency forward exchange contracts (Note 2(o)) | U.S. dollars | | 27 | — | 0 |
| | Euro | Accounts payable | 66 | — | 0 |
| | Others | | 29 | — | 0 |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| Allocation method for foreign currency forward exchange contracts (Note 2(o)) | Euro | Accounts receivable | 15 | — | (*) |
| | Others | | 11 | — | (*) |
| Buying: | | | | | |
| Allocation method for foreign currency forward exchange contracts (Note 2(o)) | Euro | Accounts payable | 17 | — | (*) |
| | Others | | — | — | — |
| Total | | | ¥827 | ¥— | ¥(1) |

| | | Thousands of U.S. dollars | | | |
|---|--------------------------------|---------------------------|--|--|----------------------|
| | | 2015 | | | |
| Method for hedge accounting | Type of derivative transaction | Major hedged item | Contract value (notional principal amount) | Contract value (notional principal amount over one year) | Estimated fair value |
| Foreign currency forward exchange contracts: | | | | | |
| Selling: | | | | | |
| Deferral hedge accounting | U.S. dollars | | \$ 325 | \$— | \$ (0) |
| | Euro | Accounts receivable | 1,839 | — | 83 |
| | Others | | 1,198 | — | (17) |
| Buying: | | | | | |
| Allocation method for foreign currency forward exchange contracts (Note 2(o)) | U.S. dollars | | 208 | — | 0 |
| | Euro | Accounts payable | 1,215 | — | (33) |
| | Others | | 399 | — | (0) |
| | Others | | — | — | — |
| Foreign currency forward exchange contracts: | | | | | |
| Buying: | | | | | |
| Allocation method for foreign currency forward exchange contracts (Note 2(o)) | Euro | Accounts payable | 150 | — | (*) |
| | Others | | 0 | — | (*) |
| Total | | | \$5,367 | \$— | \$ 25 |

Fair value is based on the prices obtained from financial institutions.

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

The open interest-related derivatives positions designated as hedging instruments at March 31, 2015 and 2014 are as follows.

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

| | | Millions of yen | | | |
|--|---|-----------------|--|--|----------------------|
| | | 2014 | | | |
| Method for hedge accounting | Type of derivative transaction | Hedged item | Contract value (notional principal amount) | Contract value (notional principal amount over one year) | Estimated fair value |
| Swap rates applied to underlying loans | Interest-rate swap transactions (pay-fixed, receive-variable) | Long-term loans | ¥26,580 | ¥21,720 | (**) |

| | | Thousands of U.S. dollars | | | |
|--|---|---------------------------|--|--|----------------------|
| | | 2015 | | | |
| Method for hedge accounting | Type of derivative transaction | Hedged item | Contract value (notional principal amount) | Contract value (notional principal amount over one year) | Estimated fair value |
| Swap rates applied to underlying loans | Interest-rate swap transactions (pay-fixed, receive-variable) | Long-term loans | \$255,513 | \$213,672 | (**) |

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

15. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and cost of sales for the years ended March 31, 2015 and 2014 totaled ¥4,904 million (\$40,809 thousand) and ¥5,165 million, respectively.

16. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2015 under operating leases are as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2016 | ¥ 462 | \$ 3,845 |
| 2017 and thereafter | 790 | 6,574 |
| Total | ¥1,252 | \$10,419 |

17. CONTINGENT LIABILITIES

At March 31, 2015, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥1,930 million (\$16,061 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥5 million (\$42 thousand).

In addition, at March 31, 2015, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed for a total amount of ¥257 million (\$2,139 thousand).

18. AMOUNTS PER SHARE

Amounts per share at March 31, 2015 and 2014 and for the years then ended are as follows:

| | Yen | | U.S. dollars |
|---------------------------------------|----------|----------|--------------|
| | 2015 | 2014 | 2015 |
| Net income: | | | |
| Basic | ¥ 89.10 | ¥ 91.86 | \$ 0.74 |
| Diluted | — | — | — |
| Net assets | 2,215.18 | 1,942.20 | 18.43 |
| Cash dividends applicable to the year | 30.00 | 28.00 | 0.25 |

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

Diluted net income per share for the year ended March 31, 2015 has not been presented because no potentially dilutive shares of common stock were outstanding. Diluted net income per share for the year ended March 31, 2014 has not been presented because no potentially dilutive shares of common stock which have dilutive effect were outstanding.

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

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

The financial data used in the computation of basic net income per share for the years ended March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|-----------------|-------------|---------------------------|
| | 2015 | 2014 | 2015 |
| Net income | ¥11,318 | ¥11,663 | \$94,183 |
| Net income available for distribution to shareholders of common stock | ¥11,318 | ¥11,663 | \$94,183 |
| Weighted-average number of shares | 127,032,358 | 126,971,429 | |

There were 409,000 dilutive shares not included in the calculation of "Net income per share (diluted)" for the year ended March 31, 2014 because they do not have dilutive effect that were part of a stock option plan. The stock option plan was approved by

shareholders of the Company on June 26, 2008 and the options expired on July 31, 2013.

19. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2015 and 2014 and cash and cash equivalents in the accompany-

ing consolidated statements of cash flows for the years then ended is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Cash and time deposits | ¥40,575 | ¥34,980 | \$337,647 |
| Long-term deposit included in other assets of investments and other assets | 1 | — | 8 |
| Time deposits with maturities of more than three months | (54) | (1,154) | (449) |
| Cash and cash equivalents | ¥40,522 | ¥33,825 | \$337,206 |

20. SEGMENT INFORMATION

(a) Overview of reportable segments

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

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

Effective the year ended March 31, 2015, the Company has changed the classification of its low-power semiconductor design development business from the Electronics segment to the Automotive & Energy segment, which has a closer relationship with environment/energy-related technologies, in order to promote technological development.

The segment information for the year ended March 31, 2014 was prepared to conform to the change in the segmentation in the current year. The following describes the major products and services handled by each reportable segment.

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

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

tives, information printing, textile processing, raw resin materials, resin molding, and functional films and sheets.

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

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

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

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

Accounting methods for reportable segments are generally the same as those listed in Note 2. Reportable segment income corresponds to operating income in the consolidated statements of income. Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

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

Information by reportable segments for the year ended March 31, 2015 is as follows:

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

Under the new segmentation policy adopted by the Company, information by reportable segments for the year ended March 31, 2014 would have been as follows:

| | Millions of yen | | | | | | | | | | |
|---|---------------------------------|-------------|---------------------|-------------------|---------|----------|--------|----------|-----------|-------------|--------------|
| | 2014 | | | | | | | | | | |
| | Reportable Segments | | | | | Total | Others | Total | Corporate | Adjustments | Consolidated |
| Functional Materials | Advanced Materials & Processing | Electronics | Automotive & Energy | Life & Healthcare | | | | | | | |
| Sales to customers | ¥169,973 | ¥239,224 | ¥137,026 | ¥ 99,441 | ¥76,810 | ¥722,475 | ¥ 737 | ¥723,212 | ¥ — | ¥ — | ¥723,212 |
| Intersegment sales and transfers | 2,966 | 2,212 | 674 | 1,886 | 418 | 8,158 | 5,773 | 13,932 | — | (13,932) | — |
| Net sales | 172,939 | 241,436 | 137,700 | 101,328 | 77,228 | 730,633 | 6,510 | 737,144 | — | (13,932) | 723,212 |
| Segment income | ¥ 4,328 | ¥ 3,707 | ¥ 6,421 | ¥ 1,027 | ¥ 4,000 | ¥ 19,485 | ¥ 215 | ¥ 19,701 | ¥ (4,364) | ¥ 452 | ¥ 15,789 |
| Segment assets | ¥ 75,491 | ¥119,202 | ¥ 69,824 | ¥ 40,792 | ¥96,205 | ¥401,516 | ¥7,124 | ¥408,640 | ¥124,035 | ¥(34,533) | ¥498,141 |
| Other items | | | | | | | | | | | |
| Depreciation and amortization other than amortization of goodwill | ¥ 407 | ¥ 647 | ¥ 2,323 | ¥ 262 | ¥ 2,993 | ¥ 6,634 | ¥ 193 | ¥ 6,827 | ¥ 1,806 | ¥ — | ¥ 8,634 |
| Amortization of goodwill | — | — | 169 | — | 1,516 | 1,685 | — | 1,685 | — | — | 1,685 |
| Unamortized balance of goodwill | — | — | 2,617 | — | 27,163 | 29,780 | — | 29,780 | — | — | 29,780 |
| Investments in affiliates accounted for by the equity method | 1,850 | 2,245 | 75 | 1,777 | 2,070 | 8,018 | 1,838 | 9,856 | — | (54) | 9,801 |
| Increase in tangible and intangible fixed assets | 399 | 862 | 2,015 | 369 | 4,488 | 8,134 | 49 | 8,184 | 2,929 | — | 11,113 |

| | Thousands of U.S. dollars | | | | | | | | | | |
|---|---------------------------------|-------------|---------------------|-------------------|-----------|-------------|----------|-------------|-------------|-------------|--------------|
| | 2015 | | | | | | | | | | |
| | Reportable Segments | | | | | Total | Others | Total | Corporate | Adjustments | Consolidated |
| Functional Materials | Advanced Materials & Processing | Electronics | Automotive & Energy | Life & Healthcare | | | | | | | |
| Sales to customers | \$1,400,000 | \$2,115,045 | \$1,247,791 | \$914,130 | \$637,505 | \$6,314,488 | \$ 7,489 | \$6,321,986 | \$ — | \$ — | \$6,321,986 |
| Intersegment sales and transfers | 19,647 | 18,507 | 7,140 | 23,525 | 2,380 | 71,224 | 41,233 | 112,466 | — | (112,466) | — |
| Net sales | 1,419,655 | 2,133,561 | 1,254,931 | 937,663 | 639,893 | 6,385,720 | 48,731 | 6,434,460 | — | (112,466) | 6,321,986 |
| Segment income | \$ 35,799 | \$ 39,977 | \$ 46,459 | \$ 18,549 | \$ 26,271 | \$ 167,072 | \$ 1,673 | \$ 168,744 | \$ (21,636) | \$ 3,953 | \$ 151,061 |
| Segment assets | \$ 629,026 | \$1,094,641 | \$ 556,395 | \$376,242 | \$817,592 | \$3,473,920 | \$59,998 | \$3,533,919 | \$1,295,831 | \$(281,817) | \$4,547,932 |
| Other items | | | | | | | | | | | |
| Depreciation and amortization other than amortization of goodwill | \$ 4,019 | \$ 6,674 | \$ 22,044 | \$ 1,015 | \$ 26,096 | \$ 59,857 | \$ 1,648 | \$ 61,513 | \$ 15,811 | \$ — | \$ 77,324 |
| Amortization of goodwill | — | — | 999 | — | 12,499 | 13,506 | — | 13,506 | — | — | 13,506 |
| Unamortized balance of goodwill | — | — | 18,424 | — | 211,467 | 229,891 | — | 229,891 | — | — | 229,891 |
| Investments in affiliates accounted for by the equity method | 17,300 | 20,862 | 1,098 | 16,077 | 18,466 | 73,820 | 15,778 | 89,606 | — | (474) | 89,132 |
| Increase in tangible and intangible fixed assets | 2,746 | 11,584 | 20,471 | 2,879 | 47,599 | 85,296 | 2,638 | 87,942 | 9,520 | — | 97,462 |

(d) Geographical information

Net sales for the years ended March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-----------------|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Japan | ¥374,208 | ¥372,939 | \$3,113,989 |
| North-east Asia | 217,232 | 196,118 | 1,807,706 |
| South-east Asia | 122,493 | 108,414 | 1,019,331 |
| North America | 29,995 | 26,344 | 249,605 |
| Europe/Other | 15,783 | 19,394 | 131,339 |
| Total | ¥759,713 | ¥723,212 | \$6,321,986 |

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

Property, plant and equipment as of March 31, 2015 and 2014 are summarized as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|-------|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Japan | ¥58,897 | ¥56,862 | \$490,114 |
| Other | 7,877 | 7,051 | 65,549 |
| Total | ¥66,774 | ¥63,914 | \$555,663 |

Independent Auditor's Report

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

Loss on impairment of fixed assets for the years ended March 31, 2015 and 2014 is as follows:

| Millions of yen | | | | | | | | | |
|------------------------------------|---------------------------------|-------------|---------------------|-------------------|-------|---------|---------------------------|---------|---------|
| 2015 | | | | | | | | | |
| Reportable Segments | | | | | | | | | |
| Functional Materials | Advanced Materials & Processing | Electronics | Automotive & Energy | Life & Healthcare | Total | Others | Eliminations or corporate | Total | |
| Loss on impairment of fixed assets | ¥— | ¥74 | ¥176 | ¥78 | ¥— | ¥328 | ¥— | ¥273 | ¥602 |
| Millions of yen | | | | | | | | | |
| 2014 | | | | | | | | | |
| Reportable Segments | | | | | | | | | |
| Functional Materials | Advanced Materials & Processing | Electronics | Automotive & Energy | Life & Healthcare | Total | Others | Eliminations or corporate | Total | |
| Loss on impairment of fixed assets | ¥— | ¥— | ¥221 | ¥1,080 | ¥— | ¥1,301 | ¥— | ¥12 | ¥1,314 |
| Thousands of U.S. dollars | | | | | | | | | |
| 2015 | | | | | | | | | |
| Reportable Segments | | | | | | | | | |
| Functional Materials | Advanced Materials & Processing | Electronics | Automotive & Energy | Life & Healthcare | Total | Others | Eliminations or corporate | Total | |
| Loss on impairment of fixed assets | \$— | \$616 | \$1,465 | \$649 | \$— | \$2,729 | \$— | \$2,272 | \$5,010 |

(f) Information on gain on bargain purchase per reportable segments

The Company additionally acquired shares of certain consolidated subsidiaries. As a result, the Company recorded gain on bargain purchase of subsidiaries' shares of ¥431 million in the Advanced Materials & Processing segment and ¥96 million in the Electronics segment for the year ended March 31, 2014.

21. SUBSEQUENT EVENTS

(a) Issuance of bonds

Based on a resolution approved at a meeting of the Board of Directors held on May 8, 2015, the Company issued unsecured bonds on June 16, 2015. Details of the bond issuance were as follows:

| | |
|-----------------------|--|
| Description | The 5th Series of Bonds |
| Total issuance amount | ¥10,000 million (\$83,215 thousand) |
| Issue price | ¥100 (\$0.83) with a face value of ¥100 (\$0.83) |
| Annual interest rate | 0.539% |
| Maturity | June 16, 2022 |
| Mortgage | Unsecured |
| Usage of funds | Capital investment and working capital |

(b) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2015, was approved at a meeting of the shareholders held on June 24, 2015:

| | Millions of yen | Thousands of U.S. dollars |
|---|-----------------|---------------------------|
| Cash dividends (¥15.0 = U.S.\$0.12 per share) | ¥1,905 | \$15,853 |



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 25, 2015
Osaka, Japan

A member firm of Ernst & Young Global Limited

Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ● Company accounted for under the equity method

As of March 31, 2015

| Category | Company name | Description of business | Location | Year of establishment | Equity ownership (%) (* indicates indirect investment) |
|-------------------------------------|--------------------------------------|--|----------------|-----------------------|--|
| Japan | | | | | |
| Manufacturing and Processing | | | | | |
| ● | Nagase ChemteX Corporation | Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrine derivatives, electronics materials, etc. | Osaka Pref. | 1970 | 100.0 |
| ● | Hayashibara Co., Ltd. | Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc. | Okayama Pref. | 1932 | 100.0 |
| ● | Nagase Medicals Co., Ltd. | Manufacture and sale of pharmaceuticals, animal drugs, health foods, and cosmetics | Hyogo Pref. | 1972 | 100.0 |
| ● | Setsunan Kasei Co., Ltd. | Coloring and sale of plastics | Osaka Pref. | 1966 | 100.0 |
| ● | Totaku Industries, Inc. | Manufacture and sale of plastic products | Osaka Pref. | 1952 | 99.9 |
| ● | Kotobuki Kasei Corp. | Molding, processing and sale of plastic products | Tochigi Pref. | 1972 | 100.0 (42.5) |
| ● | Nagase Techno-Engineering Co., Ltd. | Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these. | Tokyo Pref. | 1989 | 100.0 |
| ● | Fukui Yamada Chemical Co., Ltd. | Manufacture of color former | Fukui Pref. | 1985 | 90.0 |
| ● | Nagase Filter Co., Ltd. | Planning, production, processing, quality testing and sale of metal filters | Osaka Pref. | 2006 | 100.0 |
| ● | CAPTEX Co., Ltd. | Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment | Aichi Pref. | 2004 | 100.0 |
| ● | Kawai Hiryo Corporation | Manufacture and sale of organic fertilizers and agricultural chemicals and materials | Shizuoka Pref. | 1981 | 100.0 (33.3) |
| ● | Sun Delta Corporation | Development of applications for synthetic plastic products and manufacture and sale of processed products | Tokyo Pref. | 2005 | 50.0 |
| ● | Honshu Rheem Co., Ltd. | Manufacture and sale of fiber drums, import and sale of food processing machines and materials | Kanagawa Pref. | 1968 | 40.0 |
| ● | Toyo Beauty Supply Corp. | Contract manufacture of cosmetics and health foods | Tokyo Pref. | 1964 | 40.0 |
| ● | eX. Grade Co., Ltd. | Development, manufacture and sale of components for electronic equipment | Osaka Pref. | 2003 | 30.4 |
| ● | SN Tech Corporation | Manufacture of developer, recycling business | Osaka Pref. | 2008 | 40.0 (5.0) |
| | Nihon Bio Fertilizer Co., Ltd. | Manufacture and sale of organic fertilizer | Shizuoka Pref. | 1986 | 100.0 (100.0) |
| | Uma Yasai Farm Corporation | Processing and sales of agricultural and livestock goods | Shizuoka Pref. | 2008 | 100.0 (100.0) |
| Servicing | | | | | |
| ● | Nagase Logistics Co., Ltd. | Warehousing and distribution | Hyogo Pref. | 1982 | 100.0 |
| ● | Nagase Techno Service Co., Ltd. | Sales of BPO services, catalog & online commerce, recordable media, RFID; logistics services | Chiba Pref. | 1991 | 100.0 |
| ● | Nagase General Service Co., Ltd. | Sale and lease of various goods, real estate administration | Tokyo Pref. | 1983 | 100.0 |
| ● | Nagase Information Development, Ltd. | Software development and maintenance | Tokyo Pref. | 1987 | 100.0 |
| ● | Nagase Trade Management Co., Ltd. | Business agent for foreign trade documentation and accounting service | Tokyo Pref. | 1996 | 100.0 |
| ● | Nippon Vopac Co., Ltd. | Warehousing, motor truck carrier business and freight transportation services | Tokyo Pref. | 1966 | 20.0 |
| ● | Nagase Landauer, Ltd. | Radiation measuring services | Ibaraki Pref. | 1974 | 50.0 |
| ● | TAGCyx Biotechnologies | High-function materials using artificial bases, reagent kits, diagnostic products, pharmaceuticals | Kanagawa Pref. | 2007 | 36.5 |
| | Nagase Logistics Support Co., Ltd. | An exclusive stevedore for Nagase Logistics Co., Ltd. | Hyogo Pref. | 1954 | 100.0 (100.0) |
| | Choko Co., Ltd. | Insurance agency | Osaka Pref. | 1971 | 44.6 |
| Sales | | | | | |
| ● | Nagase Chemical Co., Ltd. | Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery | Tokyo Pref. | 1995 | 100.0 |
| ● | Nagase Plastics Co., Ltd. | Sale of raw materials for plastics and plastic products | Osaka Pref. | 1975 | 100.0 |
| ● | Nagase Beauty Care Co., Ltd. | Sale of cosmetics and health foods | Tokyo Pref. | 1991 | 100.0 |

| Category | Company name | Description of business | Location | Year of establishment | Equity ownership (%) (* indicates indirect investment) |
|-------------------------------------|--|---|----------------|-----------------------|--|
| ● | Nishinon Nagase Co., Ltd. | Sale of dyestuffs, auxiliaries, industrial chemicals and plastics | Fukuoka Pref. | 1969 | 100.0 |
| ● | Nagase Elex Co., Ltd. | Sale of raw materials for plastics and plastic products | Tokyo Pref. | 1979 | 100.0 |
| ● | Nagase Abrasive Materials Co., Ltd. | Sale of abrasives, inorganic materials and related equipment | Osaka Pref. | 1955 | 100.0 |
| ● | Nagase Sanbio Co., Ltd. | Sales of medicine for agriculture and additives for fertilizers, feed and food | Tokyo Pref. | 1987 | 100.0 (13.0) |
| ● | Nagase Chemspec Co., Ltd. | Sale and technological servicing of chemicals | Tokyo Pref. | 1976 | 100.0 |
| ● | Nagase Tool Matex Co., Ltd. | Sale of auto models, test production materials, and carbon fiber composites. | Tokyo Pref. | 1965 | 100.0 |
| ● | Nagase-OG Colors & Chemicals Co., Ltd. | Purchasing and information services related to dyes, industrial chemicals, etc. | Osaka Pref. | 1957 | 50.0 |
| ● | OnFine Co., Ltd. | Manufacture and sale of electronics and fluorine and polysilane variants for use in materials | Osaka Pref. | 2002 | 50.0 (25.0) |
| | LAUDI Co., Ltd. | Research and development, manufacturing, processing, domestic sales, and export of beauty care products and related raw materials. | Tokyo Pref. | 2015 | 90.0 |
| | Nihon UNF Co., Ltd. | Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals | Shizuoka Pref. | 2001 | 20.0 |
| GREATER CHINA AND KOREA | | | | | |
| Manufacturing and Processing | | | | | |
| ● | Nagase ChemteX (Wuxi) Corporation | Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services | China | 2002 | 100.0 (50.0) |
| ● | Totaku Industries Suzhou Co., Ltd. | Manufacture and sale of plastic products | China | 2005 | 100.0 (100.0) |
| ● | Nagase Electronics Technology Co., Ltd. | Chemical etching of liquid crystal glass panel units | Taiwan | 2005 | 71.0 (11.0) |
| ● | Nagase Engineering Service Korea Co., Ltd. | Equipment maintenance service and engineering | Korea | 1997 | 100.0 (100.0) |
| ● | Nagase Electronics Technology (Xiamen) Co., Ltd. | Chemical etching of liquid crystal glass panel units | China | 2010 | 100.0 (100.0) |
| ● | Guangzhou Kurabo Chemicals Co., Ltd. | Manufacture of molded urethane products for automobiles | China | 2001 | 20.0 |
| ● | Toyo Quality One (Guangzhou) Co., Ltd. | Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts | China | 2004 | 20.0 |
| ● | Toyo Quality One Ningbo Co., Ltd. | Manufacture and sale of polyurethane foam | China | 1993 | 24.2 |
| ● | Tokai Spring Mfg. (Foshan) Co., Ltd. | Development, manufacture, and sale of precision press products, spring, and standard molds | China | 2005 | 27.3 |
| ● | Light Chemical (Changzhou) Co., Ltd. | Research, development, and afterservice for high-function composites and intermediates; sales of internally developed products | China | 2011 | 33.4 |
| | Nagase CMS Technology (Shanghai) Co., Ltd. | Construction and maintenance of chemical supply and management equipment | China | 2006 | 100.0 (60.0) |
| | ON Textile Chemicals (Shanghai) Co., LTD. | Manufacture, sales, and export/import of textile-related products, dyeing processing agents | China | 2003 | 50.0 (50.0) |
| Servicing | | | | | |
| | NW Consultant Service (Shenzhen) Ltd. | Print quality management consultant | China | 2008 | 60.0 (30.0) |
| | Nagase Business Management and Planning (Shanghai) Co., Ltd. | Management of Nagase Group operations and promotion of business strategies related to Greater China | China | 2011 | 100.0 |
| Sales | | | | | |
| ● | Nagase (Hong Kong) Ltd. | Import/export, domestic sales, marketing | China | 1971 | 100.0 |
| ● | Shanghai Hua Chang Trading Co., Ltd. | Sale of resins and related products | China | 1998 | 70.0 (53.8) |
| | Suzhou Branch Office/Ningbo Branch Office | | China | | |
| | Chengdu Branch Office/ Chongqing Branch Office | | China | | |
| | Nanjing Branch | | China | | |
| ● | Shanghai Nagase Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 1997 | 100.0 |
| ● | Nagase Wahlee Plastics Corp. | Sale of resins and related products | Taiwan | 1990 | 60.0 (5.0) |
| | Taichung Office/Taipei Office | | Taiwan | | |
| | Gangshan Office | | Taiwan | | |

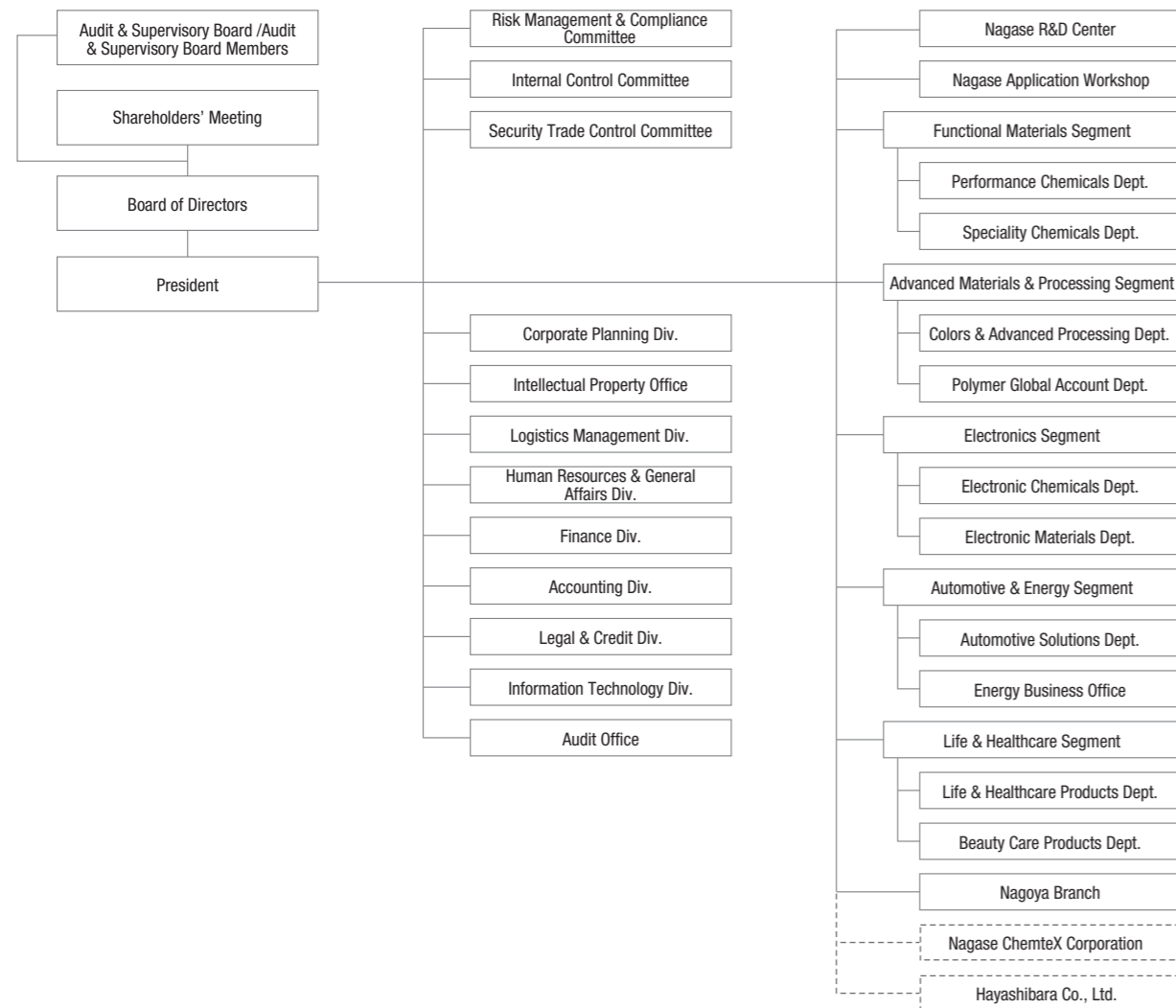
| Category | Company name | Description of business | Location | Year of establishment | Equity ownership (%) (* indicates indirect investment) |
|-------------------------------------|--|---|------------------------|-----------------------|--|
| | NWP (B.V.I.) Corporation | Vehicle for investments into China from Taiwan | British Virgin Islands | 2007 | 100.0 (100.0) |
| | Guangzhou Nagase Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 2002 | 100.0 (100.0) |
| | Wuhan Branch Office/ Chongqing Branch Office | | China | | |
| | Chengdu Branch Office/Changsha Branch Office | | China | | |
| | Guangzhou Branch Office | | China | | |
| | Nagase (Taiwan) Co., Ltd. | Import/export, domestic sales, marketing | Taiwan | 1988 | 100.0 |
| | Xiamen Representative Office | | China | | |
| | Tianjin Nagase International Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 2003 | 100.0 |
| | Dalian Branch Office/ Qingdao Branch Office | | China | | |
| | Changchun Branch Office | | China | | |
| | NWP International Trading (Shenzhen) Co., Ltd. | Sale of plastic products in South China | China | 2004 | 100.0 (100.0) |
| | Dongguan Branch Office | | China | | |
| | Zhengzhou Branch Office | | China | | |
| | Nagase Korea Corp. | General import/export trading, retailing/wholeselling, import/export trade agency | Korea | 2001 | 100.0 |
| | Xiamen Nagase International Trading Co., Ltd. | Import/export, domestic sales, marketing | China | 2011 | 100.0 (100.0) |
| | Nagase Marketing and Service (Shenzhen) Ltd. | Import/export, domestic sales, marketing | China | 2006 | 100.0 (100.0) |
| | Guanlan Branch Co. | | China | | |
| | ON Colors & Chemicals (Shanghai) Co., Ltd. | Sales of textile-related products, dyeing processing agents, related equipment; export/import and technology consulting, technological development of dyeing processing | China | 2002 | 50.0 (50.0) |
| ASEAN AND THE MIDDLE EAST | | | | | |
| Manufacturing and Processing | | | | | |
| | Nagase FineChem Singapore (Pte) Ltd. | Manufacture and recycling of chemical agents for liquid crystals | Singapore | 2001 | 100.0 (40.0) |
| | Pac Tech Asia Sdn. Bhd. | Manufacture and sale of semiconductor manufacturing equipment, semiconductor wafer bumping contract manufacturing | Malaysia | 2006 | 100.0 (100.0) |
| | Sanko Gosei Technology (Thailand) Ltd. | Manufacture of automobile components | Thailand | 1994 | 40.0 |
| | Bangkok Design Office | | Thailand | | |
| | Automotive Mold Technology Co., Ltd. | Manufacture of automotive molds and dies | Thailand | 2000 | 32.1 |
| | Nafuko Co., Ltd. | Manufacture, import/export and sale of packaging materials and related equipment | Thailand | 1996 | 28.0 (28.0) |
| | Dainichi Color Vietnam Co., Ltd. | Manufacture and sale of color masterbatch blend for plastic | Vietnam | 2005 | 40.0 |
| | P.T. Toyo Quality One Indonesia | Manufacture of flame lamination products | Indonesia | 2008 | 25.0 |
| | Majend Makcs Co., Ltd. | Plastic film processing | Thailand | 2002 | 30.0 (30.0) |
| | PT. TUNE Manufacturing Indonesia | Painting and sales of exterior auto parts | Indonesia | 2013 | 35.0 (25.0) |
| Sales and Servicing | | | | | |
| | Nagase (Thailand) Co., Ltd. | Import/export, domestic sales, marketing | Thailand | 1989 | 100.0 |
| | Eastern Office | | Thailand | | |
| | Nagase Singapore (Pte) Ltd. | Import/export, domestic sales, marketing | Singapore | 1975 | 100.0 |
| | Australia Branch | | Australia | | |
| | Bangladesh Liaison Office | | Bangladesh | | |

| Category | Company name | Description of business | Location | Year of establishment | Equity ownership (%) (* indicates indirect investment) |
|-------------------------------------|--|--|----------------------|-----------------------|--|
| | Nagase (Malaysia) Sdn. Bhd. | Import/export, domestic sales, marketing | Malaysia | 1981 | 100.0 |
| | Johor Bahru Office | | Malaysia | | |
| | Penang Office | | Malaysia | | |
| | P.T. Nagase Impor-Ekspor Indonesia | Import/export, domestic sales, marketing | Indonesia | 1998 | 99.8 |
| | Nagase Philippines Corp. | Import/export, domestic sales, marketing | Philippines | 1997 | 100.0 |
| | Nagase Philippines International Services Corp. | Domestic sales, import/export | Philippines | 2005 | 100.0 |
| | Nagase Vietnam Co., Ltd. | Import/export, domestic sales, marketing | Vietnam | 2008 | 100.0 |
| | Ho Chi Minh City Branch | | Vietnam | | |
| | Nagase India Private Ltd. | Import/export, domestic sales, marketing | India | 2006 | 100.0 (0.5) |
| | North India Branch (Gurgaon) | | India | | |
| | Nagase (Siam) Co., Ltd. | Contract services for Group companies | Thailand | 2000 | 49.0 (49.0) |
| | Landauer Australasia Pty Limited | Radiation measuring services | Australia | 2006 | 34.0 (34.0) |
| | Nagase & Co., Ltd. Dubai Branch | Branch | United Arab Emirates | | |
| AMERICAS | | | | | |
| Manufacturing and Processing | | | | | |
| | Engineered Materials Systems Inc. | Research and development, manufacture, and sales of materials for commercial adhesives, conductive adhesives | America | 1993 | 100.0 (50.0) |
| | Pac Tech USA Packaging Technologies Inc. | Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment | America | 2001 | 100.0 (100.0) |
| | Sofix Corp. | Manufacture and sale of color formers | America | 1990 | 100.0 |
| | KN Plotech America Corporation | Manufacture and sale of blow-formed plastic components and products | America | 2010 | 50.0 |
| | TIMLE S.A. DE C.V. | Manufacture and sale of automotive laminated frames sale of automotive urethane foam | Mexico | 2010 | 15.0 |
| | TQ-1 de MEXICO S.A. DE C.V. | Manufacture and sale of urethane for automotive seat pads | Mexico | 2012 | 25.0 |
| Sales | | | | | |
| | Nagase America Corp. | Import/export, domestic sales, marketing | America | 1971 | 100.0 |
| | Michigan Branch | | America | | |
| | California Branch | | America | | |
| | Nagase Enterprise Mexico S.A. de C.V. | Import/export sales, intermediate trade, market development, information collection | Mexico | 2010 | 100.0 (100.0) |
| | Leon Branch Office | | Mexico | | |
| | Nagase do Brasil Comércio de Produtos Químicos Ltda. | Survey biomedical businesses in Brazil and South America; review other development businesses in the region | Brazil | 2012 | 100.0 (0.1) |
| Europe | | | | | |
| Manufacturing and Processing | | | | | |
| | Pac Tech-Packaging Technologies GmbH | Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment | Germany | 1995 | 97.2 |
| Sales | | | | | |
| | Nagase (Europa) GmbH | Import/export, domestic sales, marketing | Germany | 1980 | 100.0 |
| | Hungary Representative Office | | Hungary | | |
| | London Branch | | England | | |

Overview

| | |
|---------------|---|
| Company Name | NAGASE & CO., LTD. |
| Founded | June 18, 1832 |
| Establishment | December 9, 1917 |
| Capital | ¥9,699 million |
| Employees | 973 (Consolidated: 6,259) |
| Main Business | Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods |
| Main Banks | Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited |
| Main Offices | Osaka Head Office: : 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114 Tokyo Head Office : 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021 Nagoya Branch Office : 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615 Nagase R&D Center : Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162 Nagase Application Workshop : 2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730 |

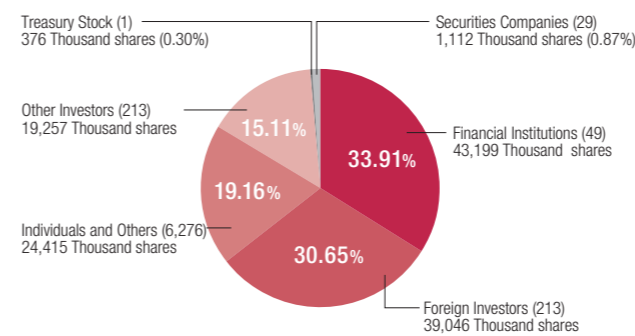
Organization (as of April 1, 2015)



Stock Exchange Tokyo (First Section)

| | |
|------------------------|--|
| Code | 8012 |
| Stock Status | Authorized Number of Shares 346,980,000 Issued Number of Shares 127,408,285 |
| Number of Shareholders | 6,781 |

Composition of Shareholders

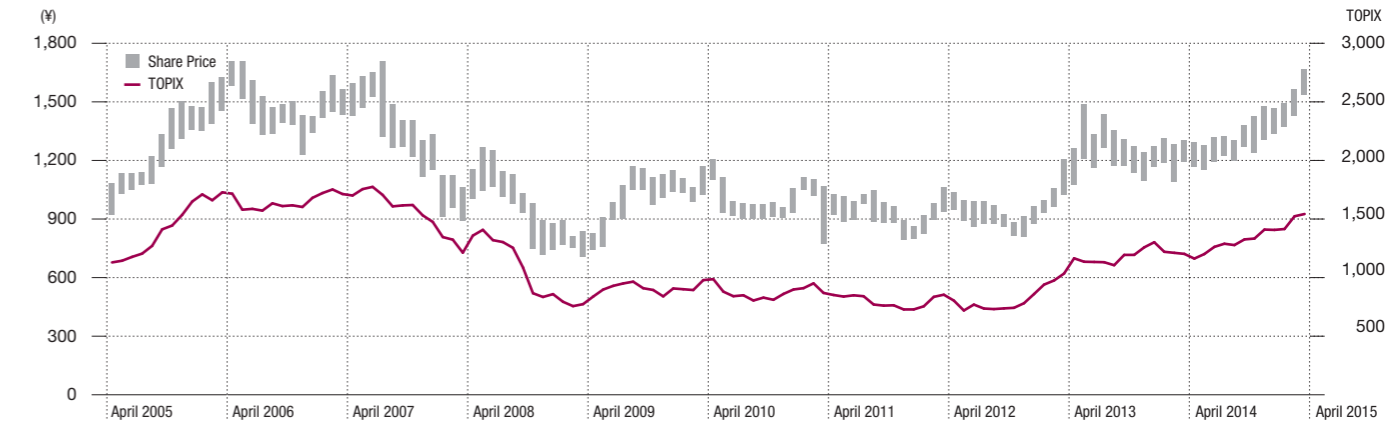


Principal Shareholders

| Name | Number of Shares Held (thousands) | Percentage of Total Shares Outstanding (%) |
|--|-----------------------------------|--|
| NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST | 6,724 | 5.28 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 5,992 | 4.70 |
| Sumitomo Mitsui Trust Bank, Limited | 5,776 | 4.53 |
| Sumitomo Mitsui Banking Corporation | 4,377 | 3.44 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 4,228 | 3.32 |
| Hiroshi Nagase | 4,144 | 3.25 |
| NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS | 4,012 | 3.15 |
| Nippon Life Insurance Company | 3,589 | 2.82 |
| Reiko Nagase | 3,573 | 2.80 |
| Mitsui Sumitomo Insurance Company, Limited | 2,951 | 2.32 |

1. Shares owned by Hiroshi Nagase include shares nominally owned by NAGASE & CO., LTD.

Monthly Share Price Range of Nagase



Monthly Trading Volume

