Mid-term Management Plan  \textit{ACE-2020}

\textbf{Accountability} \cdot \textbf{Commitment} \cdot \textbf{Efficiency}


Management Philosophy and Nagase Vision

\textbf{Management Philosophy}

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

\textbf{NAGASE Vision}

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

**Goal to 2032**

<table>
<thead>
<tr>
<th>Normalization of the profit more than tripled</th>
</tr>
</thead>
</table>

**Challenges for Growth**

- Realize a significant growth by allocating management resources to focused business and by shifting operation from Japan-centrism to multinational management system.
- Set up growth investment frame of 200 B yen. Consider large investment as a method to achieve long term objectives.

**Reinforce the Management Platform for Growth**

- To lead growth challenges to success, construct a management platform that will contribute to business expansion and globalization.

- Increase growth investment
- Accelerate organic growth
- Expand overseas operation

- Restructure global governance
- Increase flexibility in HR management
- Enhance safety and assurance
- Consolidate communication infrastructure

Positioning of ACE-2020

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

* Our goal: Normalization of the profit more than tripled.
ACE-2020 Basic Policy

NAGASE Transforms from “Shosha/Trading” to “Business Designer”.

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

Leverage Group functions to achieve the quantitative and qualitative targets.

Reform Profit Structure

- Portfolio Optimization
  - Categorization of business and execution of strategy that matches with the area
  - Replacement of asset and reallocation of resources
  - Acceleration in investment that creates core business of group
  - Expand and Strengthen Revenue Base
    - Accelerate globalization “G6000”
    - Improve manufacturing profitability

Reform Corporate Culture

- Mindset
  - Breed independence and responsibility
  - Share the management’s message
  - Thorough monitoring and PDCA
  - Strengthen Management Platform
    - Pursue efficiency
    - HR development

Consolidated Sales

Normalize 1.0 Trillion Yen or more

Sales by Segment (100 Million Yen)

- Automotive & Energy +356
- Electronics +819
- Advanced Materials & Processing +702
- Functional Materials +220

Sales by HQ and subsidiaries (100 Million Yen)

- EU & USA +356
- ASEAN & Korea +440
- Greater China +883
- Japan +900

*Figure differs from Sales by region stated in quarterly report
Consolidated Operating Profit

Normalize 30 Billion Yen or more

Consolidated Operating Income

(100 Million Yen)

Life & Healthcare
26
Automotive & Energy
25
Electronics
24
Advanced Materials & Processing
33
Functional Materials
12
Materials

Counter plan to fill in the gap

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

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To grow focused businesses by prioritizing and improving mid-term free-cash-flow over the short-term sales profit.

To pursue profit structure analysis and management stabilization via effective reduction in cost (improve B/E point).

New product development and placement of the product into market, cultivation of new market and penetrate into high value added filed. e.g. Overseas sales expansion of Trehalose, capital investment of epoxy sheet material, R&D on conductive material for coating and etc.

Creating a scenario and HRD which focuses on overseas market expansion. (Overseas marketing and production)
Mindset/Strengthen Management Platform

Build Accountability, Responsibility and Risk Awareness
Set mid-term management plan as a goal that proactively achieves and act responsible.

Share Management’s Message
Create better communication infrastructure, and the entire group collectively strives for the same goal.

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

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

HR Development
Strongly drive HR development to increase group competitiveness and sustainable growth

Summary

KGI (Key Goal Indicator)

<table>
<thead>
<tr>
<th>KGI</th>
<th>FY2015</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Sales Amount</td>
<td>742.1 Billion Yen</td>
<td>1.0 Trillion Yen or more</td>
</tr>
<tr>
<td>Consolidated Operating Income</td>
<td>18.0 Billion Yen</td>
<td>30.0 Billion Yen or more</td>
</tr>
<tr>
<td>ROE</td>
<td>4.4%</td>
<td>6.0% or more</td>
</tr>
</tbody>
</table>

KPI (Key Performance Indicator) Factor index to achieve KGI

<table>
<thead>
<tr>
<th>Reform/Strategy</th>
<th>measures</th>
<th>KPI (Index)</th>
<th>FY2015</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Structure改革 Indicator</td>
<td>Increase Focused Business (Portfolio Optimization)</td>
<td>* Operating Profit in Focus Area</td>
<td>10.3B Yen</td>
<td>16.98 Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Growing investment distribution ratio in focus area</td>
<td>N/A</td>
<td>35% &lt;</td>
</tr>
<tr>
<td></td>
<td>Accelerate Globalization (Expand and Strengthen Profit Structure)</td>
<td>* Overseas Group Sales</td>
<td>424.7B Yen</td>
<td>600B Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales Growth Rate in USA</td>
<td>N/A</td>
<td>170%</td>
</tr>
<tr>
<td></td>
<td>Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)</td>
<td>* Operating Profit from Manufacturing</td>
<td>8.3B Yen</td>
<td>14.4B Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Break-Even Point Sales Ratio</td>
<td>82%</td>
<td>73%</td>
</tr>
<tr>
<td>Corporate Culture改革 Indicator</td>
<td>Pursue Efficiency (Strengthen Management Platform)</td>
<td>Consolidated Selling, General and Administrative Ratio</td>
<td>9.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Financial Strategy Indicator</td>
<td>Investment Financial Structure</td>
<td>Growth Investment</td>
<td>N/A</td>
<td>* 100B Yen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rating (R&amp;D)</td>
<td>(A)</td>
<td>(A) or more</td>
</tr>
</tbody>
</table>

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

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Appendix: Past results and ACE-2020 Target

Consolidated Sales
Normalize 1.0 Trillion Yen or more

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (100 Million Yen)</th>
<th>Operating Income (100 Million Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>125</td>
<td>155</td>
</tr>
<tr>
<td>2011</td>
<td>134</td>
<td>157</td>
</tr>
<tr>
<td>2012</td>
<td>187</td>
<td>155</td>
</tr>
<tr>
<td>2013</td>
<td>181</td>
<td>180</td>
</tr>
<tr>
<td>2014</td>
<td>230</td>
<td>300</td>
</tr>
<tr>
<td>Target</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ROE
Normalize Over 6% at early stage

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>3.0%</td>
</tr>
<tr>
<td>2008</td>
<td>3.0%</td>
</tr>
<tr>
<td>2009</td>
<td>4.0%</td>
</tr>
<tr>
<td>2010</td>
<td>4.0%</td>
</tr>
<tr>
<td>2011</td>
<td>4.2%</td>
</tr>
<tr>
<td>2012</td>
<td>4.9%</td>
</tr>
<tr>
<td>2013</td>
<td>4.9%</td>
</tr>
<tr>
<td>2014</td>
<td>4.3%</td>
</tr>
<tr>
<td>2015</td>
<td>4.4%</td>
</tr>
<tr>
<td>Target</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

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