

Last Update: December 20, 2018

NAGASE & CO., LTD

Kenji Asakura, Representative Director and President

Contact: Corporate Planning Division

Investor Relations Section

Securities Code: 8012

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

The corporate governance of NAGASE & CO., LTD (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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.

Based on this philosophy, we created the NAGASE Vision, which is a promise to our stakeholders that each of us will embody our value proposition to Identify, Develop and Expand to realize a sustainable world where people live with peace of mind.

To execute this Vision, we created a long-term management plan that guides us in becoming a corporate group capable of sustainable growth in the face of dramatic changes in the external environment. This plan calls for our willingness to undertake challenges for growth and to work toward the reinforcement of our business base, engaging in measures to improve corporate value over the medium and long term.

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

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Updated

Supplementary Principle 4.2(1)

With the exception of outside directors and members of the Audit & Supervisory Board, the Company’s compensation system for directors consists of basic compensation (according to title) and performance-linked compensation.

The Company has established an Compensation Committee to ensure the propriety of our compensation structure and compensation levels in consideration of quantitative and qualitative aspects. This committee also ensures transparency and objectivity in decisions regarding compensation. This is another way in which the Company strives to design and maintain effective incentives for director performance.

To establish a medium- and long-term incentives for improved corporate value, the Company determines an annual number of shares to contribute to the Officers Shareholding Association. Through this mechanism, directors obtain a number of shares in correspondence with their various responsibilities to hold for an ongoing period of time.

The board of directors uses the Officer Remuneration Committee to design and modify the Company’s compensation system, including the ratio of compensation tied to medium- and long-term Company earnings.

Principle 4.11

Our basic policy is to have a board of directors consisting of inside directors and a multiple number of outside directors. Inside directors have operational experience, knowledge, and expertise to properly understand the Company’s business operations, provide agile and timely decision-making, and oversee the execution of our business. Outside directors provide insight from stakeholders and society, raising issues to be addressed by the Company.

At present, the Company’s board of directors consists of ten directors, two of whom are independent outside directors. While the Company does not have any female directors currently, the NAGASE Group pursues diversity in management, regardless of gender, nationality, or race as we continue to elect female directors and non-Japanese directors at our overseas subsidiaries. We aim to secure the effective functioning of our board of directors through a board structure that balances diversity and size.

We select at least one individual with expertise in finance and accounting and at least one individual with expertise in the law as candidates for members of the Audit & Supervisory Board.

Principle 1.4

<Cross-Shareholding Policy and Objectives>

The Company holds shares in transaction partners in only two cases: (1) Cases in which the Company foresees potential for business expansion and synergies in excess of costs of capital and (2) Cases in which the Company foresees the stable access to services indispensable to Company business activities. The board of directors conducts a comprehensive review for each share holding, reducing any cross-holdings deemed incompatible with the conditions described above.

<Exercising of Voting rights>

We exercise voting rights appropriately, carefully reviewing the resolution in question and determining approval or disapproval in a comprehensive manner according to whether the measure contributes to the increased share price of the issuing company and whether the measure contributes to our own improved corporate value as a shareholder.

Principle 1.7

Before engaging in transactions with directors or major shareholders, the Company determines whether said transaction requires a resolution of the board of directors according to the Company's Board of Director Regulations or Regulations Governing Approvals.

Principle 2.6

The Company has adopted a contract-type defined benefit pension plan, establishing and managing an Asset Management Committee which serves as a body to provide basic policies for plan management, establish policies for plan asset composition, and review said policies. The Asset Management Committee is also responsible for evaluating and reviewing the contracted investment institution.

This contracted investment institution includes the Company's labor union and uses outside consultants in plan management, ensuring transparency and objectivity. The committee manages the plan appropriately to ensure no conflicts of interest occur between plan beneficiaries and the Company.

Further, the Company has established Operating Regulations for Corporate Pension Asset Management Committee to prevent any conflicts of interest. The Company appoints a plan manager who is well-experienced in finance and investing. This individual develops greater expertise through the guidance of outside consultants and performs regular monitoring of the investment institution.

Principle 3.1

(i) , (ii)

The Company's Management Philosophy states that 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.

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

To perform on these promises, we have established a longer-term management policy based on Challenges for Growth and Reinforcing our Management Platform for Growth to become a corporate group capable of sustainable growth in the midst of harsh changes in the external environment. We engage in initiatives under this policy for corporate growth over the medium and long term.

We continue to strengthen corporate governance, as the Company believes that speed in decision-making and action and ensuring transparency are essential for executing the initiatives described above.

(iii)

See II Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Supervision in Management 1. Organizational Composition and Operation [Director Remuneration] in this report and 6 [Corporate Governance] (1) Corporate Governance 4. Director Remuneration in our annual securities report for more information related to policies and decision-making procedures regarding director compensation.

The board of directors has established an optional Officer Remuneration Committee consisting of a majority of outside directors. This committee ensures transparency and objectivity in the compensation decision process.

(iv) , (v)

<Policies and Procedures for Selecting Executive Officers>

Candidates for executive officer are those individuals who demonstrate an honest character and who possess great insight and skills. Candidates must also possess operational experience, knowledge, and expertise. Candidates are selected by the representative director. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision.

<Policies and Procedures for Selecting Directors and Members of the Audit & Supervisory Board>

As a rule, internal directors interim directors are selected from candidates who have experience as an executive officer. Candidates for outside director are individuals who demonstrate honest character and possess great insight and skill, providing insight from stakeholders in society from which they can raise issues to be addressed by the Company. Candidates are selected by the represent rector. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision. Finally, candidates are proposed before the general shareholders' meeting.

Candidates for member of the Audit & Supervisory Board are selected by the represent director from among individuals who meet conditions as provided in the Audit & Supervisory Board Audit Standards. After deliberations by the independent Nominating Committee, the board of directors conducts deliberations and comes to a decision Finally, candidates are proposed before the general shareholders' meeting. The Company discloses the reasons for nominating each candidate for director in each candidate for member of the Audit & Supervisory Board within the reference materials included in the shareholders' meeting convocation notice. The Company has established standards for the dismissal of directors and executive officers*. After deliberations by the independent Nominating Committee as to the dismissal of individuals subject to any of the aforementioned standards, the board of directors conducts celebrations and comes to a decision. The Company performs dismissal procedures as necessary, disclosing the reasons for dismissal as applicable.

*Dismissal Standards:

- (1) Individual has committed an act of suspected illegality, unfairness, or bad faith, individual becomes subject to discipline under the provisions of Employment Regulations, individual has engaged in acts or speech damaging to the Company's reputation for profits, or individual has become otherwise ineligible, deemed unsuitable to serve in the capacity of corporate officer.
- (2) Individual demonstrates insufficient performance of duties or results, and the board of directors determines that leaving said individual in the capacity of corporate officer is inappropriate.

Supplementary Principle 4.1 (1)

The board of directors functions to oversee business operations and make decisions regarding important business matters. The board also make decisions about important management issues, as well as important operational issues as provided by laws, relations, and the Company's articles of incorporation. The Company has established standards for those matters to be decided by the president, the director in charge, division general managers, or supervisory departments. We have established systems that clarify the division of responsibilities, allowing for speed in business management. We clearly define these standards in Board of Director Regulations and Regulations Governing Approvals.

Principle 4.9

The Company selects candidates according to independent standards provided by the financial instruments exchange, as well as the ability to raise issues to be addressed by the Company from the standpoint of our stakeholders and society.

Supplementary Principle 4.11 (1)

Our basic policy is to have a board of directors consisting of inside directors and a multiple number of outside directors. Inside directors have operational experience, knowledge, and expertise to properly understand the Company's business operations, provide agile and timely decision-making, and oversee the execution of our business. Outside directors provide insight from stakeholders and society, raising issues to be addressed by the Company.

In accordance with this Basic Policy, the Company's board of directors consists of ten directors, two of whom are regarded as independent officers and outside directors.

Supplementary Principle 4.11 (2)

The Company discloses the significant concurrent duties (including service as directors of other publicly traded corporations) performed by directors, members of the Audit & Supervisory Board, and candidates thereof on an annual basis in disclosure documents including shareholders' meeting convocation notice reference materials, business reports, and annual securities reports. The Company believes that the number of companies in which directors perform concurrent services is within a reasonable scope.

Supplementary Principle 4.11 (3)

The Company analyzes and evaluates the effectiveness of the board of directors, believing in the importance of improving board effectiveness on ongoing basis. Accordingly, the Company has conducted a survey of all directors and members of the Audit & Supervisory Board to analyze and evaluate the effectiveness of the board of directors.

As a result, the Company confirmed that our board of directors consists of an appropriate personnel structure, conducts deliberations and makes decisions in a timely and appropriate manner, and functions effectively. Our evaluation of the board of directors in the previous year indicated the need for greater preparations and deliberation processes for more meaningful discussions during board meetings. The results of the latest survey indicate generally positive evaluations with respect to this issue.

At the same time, we confirmed the need to investigate more detailed reporting from each committee to strengthen corporate governance functions from the standpoint of improved effectiveness.

The Company intends to continue with initiatives for improving board of director effectiveness.

Supplementary Principle 4.14 (2)

The Company provides information related to the NAGASE Group Management Philosophy, corporate management, business activities, and organization to outside directors and outside members of the Audit & Supervisor Board. In this way, we help these individuals gain a deeper understanding of these topics.

The Company also provides opportunities at the Company's expense to help directors and members of the Audit & Supervisory Board (including outside directors and outside members) obtain the necessary knowledge to accomplish their roles and responsibilities.

Principle 5.1

Our basic policy is to conduct constructive dialogue with shareholders that contributes to sustainable growth and corporate value improvement over the medium and long term. As much as reasonable, we respond to meeting requests from shareholders the purpose of holding constructive dialogues.

The Company's director in charge of the Corporate Planning Division is in charge of Company investor relations. Our investor relations department works in cooperation with other internal departments to provide appropriate responses in creating opportunities for constructive dialogue with our shareholders.

The Company strives to provide information through various briefings, in-person meetings with domestic and foreign investors, facilities tours, and publication on our corporate website.

Information and requests received from shareholders through these and other dialogues are forwarded to the board of directors as deemed necessary. We manage information carefully in accordance with our Regulations for Preventing Insider Trading to prevent inside information from being disclosed during these dialogues.

2. Capital Structure

Foreign Shareholding Ratio Updated From 20% to less than 30%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	No. of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,108,800	5.68
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,842,900	4.67
Japan Trustee Services Bank, Ltd. (Trust Account)	5,805,700	4.64
Sumitomo Mitsui Trust Bank, Limited	5,776,000	4.61
Sumitomo Mitsui Banking Corporation	4,377,000	3.50
Nippon Life Insurance Company	3,589,133	2.87
Reiko Nagase	3,549,249	2.84
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,284,000	2.62
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,171,400	2.53
Nagase Shunzo Co., Ltd.	2,688,000	2.15

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

Supplementary Explanation	Updated
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1. On August 20, 2010, BlackRock Japan Co., Ltd. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, BlackRock Japan Co., Ltd. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
BlackRock Japan Co., Ltd.	3,672	2.65
BlackRock Advisors (UK) Limited	654	0.47
BlackRock Fund Advisors	309	0.22
BlackRock Institutional Trust N.A.	1,057	0.76

2. On November 8, 2017, Silchester International Investors LLP submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Silchester International Investors LLP is not included in the Status of Major Shareholders above.

Name or Trade Name	Number of Shares Owned (Thousands)	(%)
Silchester International Investors LLP	13,900	10.91

3. On April 16, 2018, Mitsubishi UFJ Financial Group, Inc. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Mitsubishi UFJ Financial Group, Inc. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
MUFG Bank, Ltd.	1,836	1.44
Mitsubishi UFJ Trust and Banking Corporation	5,602	4.40
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	230	0.28

4. On August 6, 2018, Sumitomo Mitsui Trust Bank, Limited submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Sumitomo Mitsui Trust Bank, Limited is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
Sumitomo Mitsui Trust Bank, Limited	8,272	6.49
Sumitomo Mitsui Trust Asset Management Co., Ltd.	110	0.09
Nikko Asset Management Co., Ltd.	1,463	1.15

3. Corporate Attributes

Listed Stock Market and Market Section	First Section of the Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Wholesale trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	a company with an Audit and Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 years
Chairperson of the Board	Chairman (excluding cases when serving concurrently as president)
Number of Directors	10
Appointment Status of Outside Members of the Managing Board	Appointed
Number of Outside Directors	2
Number of Independent Directors	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship to the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hidenori Nishi	From another company												
Nobumasa Kemori	From another company								△				

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
 "△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
 "▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hidenori Nishi	○	—	<p>Mr. Nishi has been involved in management of KAGOME CO., LTD. for many years and possesses advanced knowledge and extensive experience regarding corporate management. We expect Mr. Nishi to enhance the Company's corporate governance through his knowledge and experience, offering proposals concerning the Company's overall management from a perspective of familiarity with industry. Accordingly, we have appointed Mr. Nishi as an outside director. Mr. Nishi is the former chairman of the board of KAGOME CO., LTD. As the Company has no business transactions with this company, we consider Mr. Nishi to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Nishi has no personal relationships, equity relationships, business relationships, or other interests in the Company.</p>
Nobumasa Kemori	○	<p>Mr. Kemori serves as a Executive Adviser to Sumitomo Metal Mining Co, Ltd. Although the Company conducts business transactions with Sumitomo Metal Mining, such transactions amounted to less than 0.1% of Company net sales for the fiscal year ending March 2018.</p>	<p>Mr. Kemori has been involved in management of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. We expect Mr. Kemori to enhance the Company's corporate governance through his knowledge and experience, offering proposals concerning the Company's overall management from a perspective of familiarity with industry. Accordingly, we have appointed Mr. Kemori as an outside director. Mr. Kemori is a Executive Adviser to Sumitomo Metal Mining Co., Ltd. with whom the Company conducts business transactions, we do not believe any significant special interest between Mr. Kemori and the Company exists when considering the scope of Company sales to Sumitomo Metal Mining. Accordingly, we consider Mr. Kemori to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Kemori has no personal relationships, equity relationships, business relationships, or other interests in the Company.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

Committee's Name, Composition, and Attributes of Chairperson

Updated

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nominating Committee	5	0	2	2	0	1	Internal member of the Managing Board
Committee Corresponding to Remuneration Committee	Compensation Committee	3	0	1	2	0	0	Internal member of the Managing Board

Supplementary Explanation

Updated

The Nominating Committee consists of the majority of outside officers. The committee deliberates director appointments and succession plans, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the naming of Company senior management.

The Officer Remuneration Committee consists of a majority of outside directors. The committee deliberates the propriety of compensation levels and structures, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the process for determining direct compensation for Company directors and executive officers.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and the Internal Audit

The Audit Office and members of the Audit & Supervisory Board exchange information as appropriate regarding internal audits and audits of domestic and overseas affiliates. The office and auditors hold meetings periodically to report and exchange opinions on audit results, as well as to enhance the quality and efficiency of audits.

Members of the Audit & Supervisory Board and the independent financial statement auditor collaborate across a wide range of functions, exchanging opinions on their perceptions of risk, and routinely meeting regarding individual incidents. When necessary, members of the Audit & Supervisory Board make site visits and review audits performed by the independent auditor. Members of the Audit & Supervisory board meet each quarter with the independent financial statement auditor to hear reports about the results

Appointment of outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of independent officers designated from among outside Audit & Supervisory Board Members	2

of audits and reviews. At these meetings, members also learn the independent financial statement auditor's audit plans and audit status.

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobuyuki Shirafuji	From another company										△			
Gan Matsui	Lawyer													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Auditors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuyuki Shirafuji	○	In the past, Mr. Shirafuji worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks. Although the Company maintains an outstanding loan from the bank in question, the loan balance was less than 1.5% of Company's total assets as of the end of the fiscal year ended March 2018.	Mr. Shirafuji possesses a wide range of knowledge based on his many years of experience at overseas financial institutions. He also has many years of experience related to audits and working in audit departments, earning considerable knowledge regarding finance and accounting. Accordingly, it is our judgment that Mr. Shirafuji has the ability to execute the duties of an outside member of the Audit & Supervisory Board and we have consequently appointed him to this role. In the past, Mr. Shirafuji worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks; however, Mr. Shirafuji did not manage Company accounts during his service at the bank in question. Furthermore, the Company maintains a high shareholder's equity ratio and a sound financial structure. We do not rely heavily on borrowings from

			financial institutions, resulting in minimal impact of financial institutions on Company management. Accordingly, we do not believe any significant special interest between Mr. Shirafuji and the Company exists, and we consider Mr. Shirafuji to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Shirafuji has no personal relationships, equity relationships, business relationships, or other interests in the Company.
Gan Matsui	○	—	Mr. Matsui has a wealth of experience in legal circles and considerable knowledge of compliance and governance. Accordingly, it is our judgment that Mr. Matsui has the ability to execute the duties of an outside member of the Audit & Supervisory Board and we have consequently appointed him to this role. The Company has no business transactions with Mr. Matsui nor with the Yaesu Sogo Law Office where he serves as an attorney. Accordingly, we consider Mr. Matsui to be an independent director having no potential conflicts of interest with our general shareholders. Further, Mr. Matsui has no personal relationships, equity relationships, business relationships, or other interests in the Company.

[Independent Officers]

Number of Independents	4
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Matters relating to Independents

The Company designates all outside officer who satisfy the requirements of independent officers as such.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

•Performance-linked Remuneration

The Company determines a lump-sum basic bonus payment according to annual company earnings. Each director (excluding outside directors) receives a portion of this amount as a bonus payment reflecting an evaluation of their individual performance based on the company's goal management system.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	The Company does not disclose individual compensation.
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Supplementary Explanation

- Compensation paid to directors and members of the Audit & Supervisory Board in service as of the fiscal year ended March 2018

The Company paid ¥411 million in compensation to ten directors and ¥74 million in compensation to five members of the Audit & Supervisor Board. Of this amount, a total of ¥50 million in compensation was paid to four outside officers. Payments to directors include accrued bonuses for directors in the amount of ¥159 million for the year ended March 2018, recognized as an expense for the period. In addition, the Company paid the equivalent of ¥39 million as employee bonuses for individuals serving concurrently as directors and employees.

The aforementioned compensation includes payments to one member of the Audit & Supervisory Board who retired upon the conclusion of the 102nd regular shareholders' meeting held June 28, 2017.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Compensation for Company directors and executive officers is calculated based on Compensation Regulations, determined according to resolution of the board directors. In addition, the Company established the Officer Remuneration Committee on May 1, 2010, enhancing the subjectivity and transparency of the process for determining director compensation. The Officer Remuneration Committee consists of a majority of outside directors. The committee investigates the propriety of compensation levels and structures, reporting to and offering advice to the board of directors.

[Supporting System for Outside Directors]

The Company has assigned a department responsible for coordinating board of director meeting schedules, contacting meeting attendees, and providing materials and explanations prior to board meetings.

[Supporting of Former Director and President of the Company]

Name, etc. of advisor or counselor who is a former director and president of the Company

Name	Position	Responsibilities	Work status/conditions (full-time, part-time, Remuneration status, etc.)	Date of retirement as president, etc.	Term
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Number of advisor or counselor who is a former director and president of the Company	0
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Other notes

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

Updated

Decisions (Overview of Current Corporate Governance System)

The Company has adopted an Audit & Supervisory Board system and an executive officer system. Under the current management structure, the Company has ten directors (including two outside directors) and 17 executive officers (six of whom served concurrently as directors). The Company also has four members of the Audit & Supervisory Board (including two outside members).

The Company has defined the board of directors as the body that determines management policies and strategic decision-making, as well as the body that oversees business execution. The board meets regularly on a monthly basis, resolving important matters, discussing progress of the Company's business, formulating policies, and conducting other reviews.

Executive officers participate in the General Managers' Meeting, discussing status reports from each business unit and making decisions on specific measures.

The Company's Audit & Supervisory Board consists of four members, two of whom are outside members, who possess considerable expertise in finance and accounting. The Company considers both outside members to be independent directors having no potential conflicts of interest with our general shareholders. The Audit & Supervisory Board meets on a monthly basis, receiving reports on the status and results of audits from each member. In addition, the Audit & Supervisor Board receives reports from directors and from the independent financial statement auditor on their respective performance of duties. In accordance with audit policies and audit plans, each member of the Audit & Supervisory Board works toward mutual understanding with directors, the internal audit office, and other employees, striving to collect information and improve the audit environment in conformance with Audit & Supervisory Board Audit Standards as determined by the board of directors. At the same time, members of the Audit & Supervisory Board attend board of director meetings and other important meetings, request reports from subsidiaries as deemed necessary, and otherwise conduct audits related to performance of duties on the part of directors. In addition, members of the Audit & Supervisory Board served concurrently as Audit & Supervisory Board members of major subsidiaries. Members exchange opinions related to risk management with Audit & Supervisory Board members of subsidiary companies at their respective Audit & Supervisory Board meetings. To ensure the effectiveness of audits by members of the Audit & Supervisory Board, two individuals are assigned from the audit office (internal audit division) to provide assistance.

The Company has established an audit office to serve as the internal audit division staff by nine individuals having expert knowledge in internal audits, including certified auditors (CIA) and qualified internal auditors (QIA). These individuals conduct audits of the appropriateness and efficiency of business operations within the Company and subsidiaries based on Internal Audit Regulations. The Company's audit office serves as an independent internal auditor compiling evaluations of internal controls and submitting reports to the Internal Control Committee as appropriate. This is the Company's mechanism for establishing a system of internal controls reporting with respect to our financial reporting duties. On a regular basis, the Company's Internal Control Committee reports the status of internal controls implementation to the Audit & Supervisory Board and the independent financial statement auditor.

The Company's Risk Management & Compliance Committee serves as an advisory body to the board of directors to strengthen our mechanisms not only for legal compliance, but also for risk management and compliance, including risks associated with corporate ethics.

The Company's Internal Control Committee documents, evaluates, and improves the Company's internal controls and financial statement preparation processes to further improve the reliability of the Company's financial reporting.

The Company's Security Trade Control Committee ensures compliance with laws and regulations related to transactions and goods and technologies addressed by export-related regulations, including the Foreign Exchange and Foreign Trade Act.

The Company's financial statement audits are performed by the following designated limited liability partners, certified public accounts, and other employees, ensuring a fair and unbiased opinion. The following individuals are designated limited liability partners and managing executive partners.

- Specified limited liability partners and managing executive partners

Name	Audit Corporation
Hiroyuki Koichi	Ernst & Young ShinNihon LLC
Hideo Yamamoto	Ernst & Young ShinNihon LLC
Yasuhiro Takada	Ernst & Young ShinNihon LLC

* None of the executive partners identified above have served on the Company's audit engagement for a period of more than seven years.

The Company has executed limited liability agreements with the Company's outside directors and outside members of the Audit & Supervisory Board, limiting the respective liability for damages of these individuals per Article 423.1 of the Companies Act to the minimum limit of liability as provided in Article 425.1 of the Companies Act.

3. Reasons for Adoption of Current Corporate Governance System

Outside directors provide the Company with opinions from an independent standpoint and wealth of experience, accomplishing their role in improving the soundness and transparency of Company management. The Company's current corporate governance structure facilitates coordination among each corporate committee to strengthen functions related to the selection of outside directors, members of the Audit & Supervisory Board, and corporate governance as result of the adoption of an executive officer system. The Company believes that this corporate governance structure facilitates effective supervisory and audit functions from a wide variety of viewpoints, including aspects from outside our corporate boundaries, and is the most rational structure available at the current time.

The Company will continue to improve our corporate governance functions to ensure the confidence of our stakeholders.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The company annually sends a notice of convocation approximately three weeks prior to the date of a general meeting of shareholders.
Scheduling AGMs Avoiding the Peak Day	The Company scheduled our 103rd shareholders meeting for the fiscal year ended March 2018 to avoid peak meeting dates in Japan.
Allowing Electronic Exercise of Voting Rights	The Company allows shareholders to exercise voting rights electronically through an electronic voting website (https://www.web54.net). Voting is allowed until 5:15 PM on the day before the general shareholders' meeting.
Participation in Electronic Voting Platform	The platform for electronic exercise of voting rights for institutional investors managed by Investors Communications Japan, Inc. is available.
Providing Convocation Notice in English	The Company provides endless translations of convocation notices, business reports, financial statements, etc. on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.
Other	The Company publishes convocation notices for general shareholders meetings approximately four weeks prior to the scheduled date of said meeting. This information is published on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	The Company's Basic Compliance Policy and NAGASE Group Compliance Conduct Standards call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency. See the Company's website for disclosures related to our Basic Compliance Policy and NAGASE Group Compliance Conduct Standards.	
Regular Investor Briefings for Individual Investors	During the fiscal year ended March 2018, the Company conducted ten briefings.	None
Regular Investor Briefings for Analysts and Institutional Investors	The Company conducts investor briefings in May and November. The president of NAGASE & CO., LTD. provides an explanation of financial results and mid-term management plans, etc. These briefings are tended by approximately 50 persons, including analysts and institutional investors.	Yes
Posting of IR Materials on Website	The Company publishes investor relations communications on our corporate website. These communications include disclosures related to financial information, timely disclosure materials other than financial information, the Company's annual securities report and quarterly reports, shareholder meeting convocation notices (including English translations), overviews of mid-term management plans, presentation materials used in briefings for analysts and institutional investors, presentation materials used in briefings for individual investors, shareholder newsletters, integrated reports, corporate videos, corporate governance materials, etc. Our main investor relations webpage may be found at the following URL: https://www.nagase.co.jp/ir	
Establishment of Department and/or Manager in Charge of IR	Department in Charge of Investor Relations: Corporate Planning Division Director in Charge of Investor Relations: Director in Charge of the Corporate Planning Division	
Other	The Company offers individual meetings and facility tours to analysts and institutional investors on an appropriate basis.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Company's Management Philosophy states that 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.</p> <p>Guided by this statement, the Company created our Basic Compliance Policy and NAGASE Group Compliance Conduct Standards to define rules for respecting the position of our stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>In April 2000, the Company obtained ISO 14001 certification (international standard for environmental management systems). We conduct ongoing activities to improve our environmental management systems, including measures to achieve goals for reducing energy usage and general waste in our business processes.</p> <p>As part of our social contribution activities, the Company provides a grant to the NAGASE Science Technology Foundation to encourage science and technology development throughout Japan.</p> <p>For more information, see the Company's integrated report (https://www.nagase.co.jp/ir/library/annual-report/).</p> <p>The Company's main CSR webpage can be found at https://www.nagase.co.jp/csr/.</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company's Basic Compliance Policy and NAGASE Group Compliance Conduct Standards call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency.</p>
Other	<p>The NAGASE Group believes that diversity is an important part of corporate strategy. We respect the ideas and views of a diverse workforce, encouraging active internal discussions and the creation of new ideas, which represent a source of competitive advantage. We believe this policy results in the growth of the NAGASE Group, as well as in the growth of every individual employee.</p> <p>< Policies and Initiatives on Women in the Workforce ></p> <p>As of March 2016, 2017, and 2018, the Company had 15, 17, and 18 women in managerial roles*. This number has risen gradually over time, and the Company plans to continue to hire and promote women in these roles.</p> <p>To support female employees in the workplace, the Company established project within the Diversity Promotion Committee during the fiscal year ended March 2015. Under this project, the Company continues to study and implement policies encouraging female employees to maximize their potential.</p> <p>The Company has created a guidebook defining systems supporting maternal care and child rearing to allow women to continue to work in the Company. Prior to taking leave for maternity or childcare, and prior to returning to work, employees meet with their workplace superior a representative of the human resources department. Upon returning to work from childcare leave, official assistants and other employees take advantage of Company programs (during fiscal year ended March 2016, the Company raised the eligible age for children of employees working under the shorter-time work system and flex-time system (in April 2017, the Company expanded the definition of eligible children and family care recipients)) to balance work duties and childcare obligations.</p> <p>During the fiscal year ended March 2017, the Company formulated a five-year action plan to promote the role of women in the workplace based on the Act on Promotion of Women's Participation and Advancement in the Workplace. This plan includes raising the ratio of women in managerial roles from 2.9% to 6.0% by the fiscal year ending March 2021. As of the second year of this plan, the Company has raised this ratio to 3.5%.</p> <p>* Managerial role is defined as an individual who oversees subordinates as part of their duties or equivalent without subordinates.</p> <p><Work-Life Balance></p> <p>The Company believes that work-life balance is a necessary part of promoting diversity. Providing a supportive work environment for a diverse employee base and facilitating work styles that balance work and life these two benefits for both company and employee. Accordingly, the Company is striving to reform attitudes and implement systems that support this balance.</p>

The Company sponsors a monthly Safety Committee meeting held jointly between labor and management. The major topics of this meeting include flexible work styles, encouraging taking paid vacation, and reducing overtime. The Company uses the results of workplace and work environment surveys in ongoing dialogue with employees to create more comfortable work environments. The Company has achieved 12.9 vacation days taken per employee, exceeding the Japanese national average of 9.0 days. To reduce overtime, the Company has designated one day per week as a *no overtime day*. In addition, the company discloses overtime data by job description to promote operational efficiency and encourage a closer look at the status of overtime work.

We will continue to create practical systems that provide more flexible work options for our employees.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

1. Basic Approach to Internal Controls Systems

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

2. Status of Internal Controls Systems

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

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

b) Systems for retaining and managing information relating to the execution of duties by Directors

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

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

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

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

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

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

In principle, the Company dispatches officers to Group companies and ensures the proper conduct of business by those companies by establishing operational standards and establishing a system that requires approval from or reporting to the Company before Group companies make decisions on certain matters. The Audit Office conducts audits of the Company and its Group companies in accordance with the Internal Audit Rules. Under the mid-term management plan and a system of annual budgets, clear targets are set and budget and results management performed for the Company and each Group company. In order to enhance the reliability of financial reports, the status of company-wide internal controls as well as the process for preparing financial statements have been

codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.

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

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

Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work. Such employees are assigned to the Audit Office.

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

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

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

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

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

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

iii. Disclosure of material information; and

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

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

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

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

Basic Views on Eliminating Anti-Social Forces

- Basic Approach to Eliminating Anti-Social Forces

The Company responds resolutely in the face of anti-social forces threatening the public order and safety, defining our firm commitment within our Basic Compliance Policy in opposition to such forces.

The NAGASE Group Compliance Conduct Standards states that (1) the Company will have no relationships with individuals or groups having a negative impact on the social order or sound corporate activities; (2) individuals involved in Company management will take the initiative and correct actions without fear of such forces; (3) the Company will act as a unified organization, without abandoning individual directors or employees, to seek the aid of police and legal authorities to reject fear, funding, or usage in response to unreasonable demands.

- Status of Efforts to Eliminate Anti-Social Forces

The Company has established responsible departments and individuals in Tokyo, Osaka, and the Nagoya branch office. The individual responsible in the Tokyo head office participates in seminars on the prevention of unreasonable demands sponsored by the Tokyo Metropolitan Public Safety Commission.

In every region, the Company participates in groups discussing measures to deal with anti-social forces. Assigned individuals readily attend conferences and seminars, maintaining contact with local police. At the same time, these individuals gather and

manage information about anti-social forces. The Company's basic trade agreements include terms regarding the elimination of anti-social forces. The Company endeavors to cancel agreements with any trading partner determined to be an anti-social force. General affairs personnel in Tokyo, Osaka, and the Nagoya branch have access to the Manual Regarding the Prevention of Unreasonable Demands, taking the initial response in case of emergencies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation

Basic policy on the ideal status of persons with control over decision-making regarding the Company's financial and business policies

a) Details of basic policy

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

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

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

b) Structures that contribute to carrying out the basic policy

In order to carry out the basic policy discussed above, the Company has adopted a long-term management policies looking ahead to 2032, when the Company will commemorate 200 years since its foundation, and the ACE-2020 mid-term management plan covering five years starting in April 2016, while working to increase our corporate value. The essentials of the long-term management policies involve Challenges for Growth and Reinforce the Management Platform for Growth. By allocating management resources to focused business and by shifting away from the corporate structure that is reliant on conventional business models, the Company will take on the challenge of growing with the aim of achieving dramatic growth that cannot be achieved only by extending its existing business. It will also reinforce the management platform that support growth with the aim of building ones that can contribute to the business expansion and globalization as we work to succeed in these challenges. In order to achieve the objectives of the long-term management policies, the Company has divided the 17 years from the 2016 fiscal year into three stages, with the five years between fiscal 2016 and fiscal 2020 positioned as Stage 1: Reform, and launched the ACE-2020 mid-term management plan (The ACE in ACE-2020 stands for Accountability, Commitment, and Efficiency.)

Under the ACE-2020 mid-term management plan, we will step away the idea of the Company as a trading firm first and foremost. We now consider trading firm function as another of our Group functions, as we maximize the leverage of our manufacturing, research, overseas network, logistics, and investment functions, and strive to work together as a unified group to create and provide new value to the world. The essentials of the ACE-2020 mid-term management plan are two reforms comprised of Reform Profit Structure and Reform Corporate Culture. The prioritized measures for Reform Profit Structure will be to optimize the portfolio and expand and strengthen revenue base. The prioritized measures for Reforming Corporate Culture will be to comprehensively develop mindsets and strengthen management platform. The Company has set aside 100 billion yen for growth investment to increase group profits. Funds exceeding cash flows from operating activities will be procured primarily through interest-bearing bonds, while increased efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

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

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

A response policy concerning large-scale purchase conduct regarding the Company's shares (takeover defense measures) (referred to as the "Plan") was renewed pursuant to a resolution of the Board of Directors adopted at a meeting held on May 23, 2016 and a

resolution of the 101st Annual Shareholders' Meeting held on June 29, 2016, as a means of preventing control of the Company's financial and business policies by a person who is inappropriate in light of the basic policy discussed above. The effective term of the Plan is until the conclusion of the Company's Annual Shareholders' Meeting to be held in 2019.

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

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

For the specific details of the Plan, please refer to the May 23, 2016 news release entitled "Response Policy Concerning Large-Scale Purchase Conduct regarding the Company's Shares (Takeover Defense Measures)" (<https://www.nagase.co.jp/assetfiles/tekijikajji/20160523.pdf>).

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

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

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

2. Other Matters Concerning to Corporate Governance System

Updated

(1) See Attachment (1) for a diagram of the Company's corporate governance structure, including our internal controls system.

(2) Overview of Timely Disclosure Structure

The Company has established Basic Compliance Policy. In pursuit of compliance with laws, regulations, and internal regulations/rules and public disclosure to stakeholders (interested parties), the company actively and fairly discloses corporate information striving to ensure transparency.

Under this basic approach, the company has created the following structure for identifying and managing information subject to timely disclosure which functions as an internal system for providing me timely and appropriate disclosure of company information to investors.

The following describes how the Company handles each type of information.

■ Information Related to Material Facts

The relevant headquarters general managers and division managers report information collected from departments and subsidiaries to the individual designated to handle such information. The individual designated to handle information coordinates with the relevant internal departments, summarizes information, and submits a report to the representative director and president.

As necessary, a report is submitted to the board of directors, after which the Corporate Planning Division (body responsible for timely disclosures) promptly issues a timely disclosure.

■ Information Related to Decision-Supporting Facts

Each department or subsidiary circulates a proposal draft, based on which the Corporate Planning Division and related departments hold consultations. After a decision by the president, the board of directors makes a final approval, after which the Corporate Planning Division promptly issues a timely disclosure.

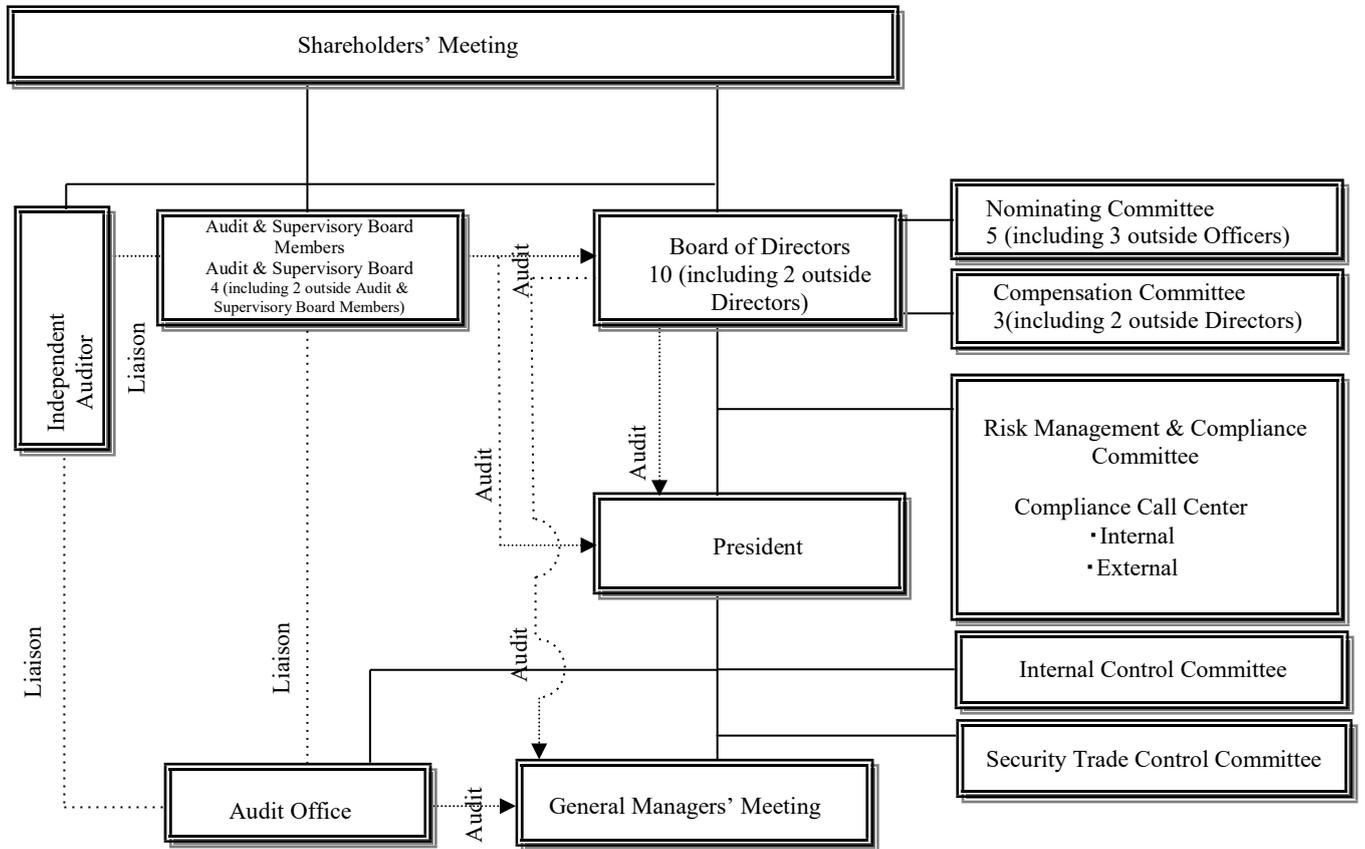
■ Financial Information

The Accounting, Finance, and Corporate Planning Divisions receive financial information from each consolidated subsidiary, accepting advice and guidance from members of the Audit & Supervisory Board and outside experts as necessary to ensure the reliability of financial information received. These divisions then prepare financial reports and drafts of public announcements. After decision by the president, the board of directors makes a final approval, after which the Corporate Planning Division promptly issues a timely disclosure.

Refer to Attachment (2) for a diagram of this structure.

Attachment (1)

Corporate Governance system



Attachment (2)

Timely Disclosure System

