**Bringing it all together**

**About this Report**

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

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

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

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

**Forward-Looking Statements**

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

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</table>
Management Philosophy and the NAGASE Vision

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

We have launched a new global branding project and created a new NAGASE Slogan to more plainly declare the NAGASE Vision: Bringing it all together. This slogan represents our commitment to bringing it all together into an encompassing whole: our business domains, our operating regions and countries, our people, our products, our technologies, and our services.

By spreading word of the unique NAGASE concept through our branding project and organization-wide activities, we hope to create a strong personal vision within each employee. It is this personal vision within each person that will help us reach sustainable growth.

A sense of values shared within the NAGASE Group

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

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.

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

NAGASE Management Philosophy

NAGASE Vision

“The NAGASE Way” Action Principles

The NAGASE Vision

- Maintaining the highest standards of integrity for almost 200 years
- Working with partners to enable new businesses
- Driving new technologies with knowledge and experience
- Staying a step ahead of the market to actively offer solutions
- We “Identify, Develop and Expand” new businesses
  1. Identify: We discover untapped business opportunities
  2. Develop: We convert opportunities into customer value
  3. Expand: We deliver solutions to multiple fields and regions
- We will contribute to a sustainable world where people live with peace of mind

Strengths/Characteristics

Value Proposition

Vision for the Future
# NAGASE Group Businesses

## Performance Chemicals Department

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

### Main Products and Services
- Resins, raw materials for pigments, polymers, solvents, and additives for paints and inks, urethane materials, flame retardants, release agents

### Customer Industries
- Paints and inks, urethane

## Specialty Chemicals Department

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

### Main Products and Services
- Petrochemical products, plastic materials and additives, chemical for paper manufacturing, raw materials for industrial oil solutions, surfactants and surfactant raw materials, EU chemicals, silicone materials, plating chemicals, electronic chemicals, ceramics and polymer fibers

### Customer Industries
- Petrochemicals, plastics, electronic materials, semiconductors, industrial oil, surfactants, organic synthetics, etc.

## Colors & Advanced Processing Department

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

### Main Products and Services
- Pigment/ additives, digital print processing materials, copolyester resins, functional sheets and films, organic transparent conductive materials, dyes, optical, fiber processing agents, auto body repair paint

### Customer Industries
- Paper manufacturing, thermal paper, cosmetics and toiletries, electronic equipment, equipment and films, printing and printing materials, fiber processing, auto body paint

## Polymer Global Account Department

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

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

### Customer Industries
- Office automation, electronics and consumer electronics, home appliances, housing and construction materials, packaging materials

## Functional Materials & Processing

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

## Electronics

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

### Main Products and Services
- Formulated epoxy resins and related products, photomask technology that produces printed images for the production of semiconductors and liquid crystal display devices, chemical management equipment for liquid crystal display production processes, conformal coating equipment and bumping services

### Customer Industries
- Electronic components, displays, heavy electric machinery, semiconductors, automotive, environment and energy

## Energy Business Office

### Department Overview
The Energy Business Office deals in energy management systems (EMS) combining energy management and control technology, lithium-ion battery systems and photovoltaic (PV) modules. In combination with related components, NAGASE is highly engaged in marketing strategies that anticipate future needs, dealing in and sharing information covering all aspects of the business from upstream to downstream. Beginning fiscal 2016, the department will begin dealing in LED optical communications equipment for the sale, stable control of infrastructure related to the business referenced above.

### Main Products and Services
- Raw materials for lithium ion battery, Li-ion, photovoltaics, PV modules, Li-ion systems, PV materials and applied products in energy management systems, independently powered systems, LED optical communications equipment, wireless communications modules

### Customer Industries
- Batteries, photovoltaics, automotive and automotive parts industries

## Automotive Solutions Department

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

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

### Customer Industries
- Automotive and automotive parts industries

## Life & Healthcare Products Department

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

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

### Customer Industries
- Foods, pharmaceuticals and medical, diagnostic drugs, cosmetics, household goods, agricultural, fisheries, and livestock

## Beauty Care Products Department

### Department Overview
In keeping with its business philosophy to provide safe, high-quality products and services that can contribute to a healthy, happy life, the Beauty Care Products Department manufactures and sells cosmetics and health foods sold by our popular ingredient, which is the result of state-of-the-art research conducted in Japan and overseas. In addition, the department’s sales network is comprised of 50,000 people who offer advanced counseling and facial care services.

### Main Products and Services
- Cosmetics (including skin care counseling and facial care services), health foods

### Customer Industries
- General consumers

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# Key Figures

## Consolidated Net Sales

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2015 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life &amp; Healthcare</td>
<td>31.5%</td>
</tr>
<tr>
<td>Functional Materials</td>
<td>21.2%</td>
</tr>
<tr>
<td>Electronics</td>
<td>19.0%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19.0%</td>
</tr>
<tr>
<td>Functional Materials</td>
<td>18.1%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>19.0%</td>
</tr>
<tr>
<td>Electronics</td>
<td>18.1%</td>
</tr>
<tr>
<td>Advanced Materials &amp; Processing</td>
<td>24.5%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>24.5%</td>
</tr>
</tbody>
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## Key Figures

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

Our 184th year in business

Supporting Japanese Industry

Established in 1832

1832 Nagase founded in Kyoto as a dyestuffs trading concern

1898 Head office moved to Osaka

1900 Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)

1901 Opened office in Lyon

1911 Established Tokyo branch office

1913 Opened offices in London, New York

1917 Established Nagase Shoten Company (from sole proprietor to corporation)

1923 Established business ties with Eastman Kodak Co. of the United States

1930 Concluded an exclusive distributorship agreement with Union Carbide and Carbon Corp. of the United States

1938 Established Takelku Chemical Industries Co., Ltd.

1964 Listed Company shares on the Osaka Securities Exchange

1968 Concluded an exclusive distributorship agreement with General Electric Co. of the United States

1970 Established Nagase-CIBA Ltd. (now Nagase ChemteX Corporation) jointly with Ciba-Geigy Ltd. Listed Company shares on the Tokyo Stock Exchange

1971 Established Nagase (Hong Kong) Ltd. and Nagase America Corporation

1972 Established Engineering Plastics, Ltd. jointly with General Electric Co.

1975 Established Nagase Chemicals, Ltd.

1977 Established Nagase Biochemicals, Ltd.

1980 Established Nagase Chemicals, Ltd.


1985 Established Seoul branch office

1988 Established Nagase (Taiwan) Co., Ltd.

1989 Founded Nagase (Thailand) Co., Ltd.

1990 Established Tokyo branch office became a head office


1996 Concluded an exclusive distributorship agreement with General Electric Co. of the United States

1998 Established Nagase-CHIBA, Ltd.

1999 Established local entity in Brazil

2000 Changed the name of Nagase CHIBA, Ltd. to Nagase ChemteX Corporation

2001 Nagase ChemteX, Nagase Chemicals, Takelku Chemical Industries, and Nagase Biochemicals, merged to Nagase ChemteX Corporation

2002 Established Guangzhou Nagase Trading Ltd.

2003 Established Shanghai Hua Chang Trading Co., Ltd.

2004 Established Nagase Biochemicals, Ltd.

2005 Established Nagase Electronics Technology Co., Ltd.

2006 Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Package Technologies GmbH

2007 Established Nagase Application Workshop

2008 Listed Company shares on the Osaka Securities Exchange

2009 Established Shanghai Nagase Trading Co., Ltd.

2010 Established Nagase America Corporation


2012 Acquired stock of Hayashibara Co., Ltd. (Okayama, Japan)

2016 Launched new mid-term management plan

2017 Established new mid-term management plan

2018 Updated Management Philosophy Structure

2019 Established NWP International Trading (Shenzhen) Co., Ltd.

2020 Changed the name of Nagase Engineering Service Korea Co., Ltd. and Nagase Biochemicals, merged to Nagase ChemteX Corporation

2021 Established Nagase Philippines Corporation

2022 Established Nagase Electronics Technology Co., Ltd.

2023 Established Nagase India Private Ltd.

2024 Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Package Technologies GmbH

2025 Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Package Technologies GmbH

2026 Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Package Technologies GmbH
How We Create Corporate Value

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

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

We contribute to creating a sustainable world where people live with peace of mind.

Supporting industry through materials and finished products

Supporting beauty and health

We improve corporate value through our business and return profits to shareholders.
Valuable Products and Services

Delivering Valuable Products and Services on the Global Stage

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

A Sustainable World Where People Live With Peace of Mind

We deliver value that contributes to creating a sustainable world where people live with peace of mind.

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

Functional Materials

Coating Raw Materials

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

Urethane Materials

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

Advanced Materials & Processing

Color Formers

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

Copolyester Resin [Tritan™]

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

Electronics

Variety of Electronics-Grade Chemicals

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

Liquid Crystal-Related Products

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

Automotive & Energy

Car Electronics

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

Car Multimedia

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

Life & Healthcare

Pharmaceutical and Medical Fields

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

Cosmetics

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

Urethane Materials

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

Car Electronics

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

Pharmaceutical and Medical Fields

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

Cosmetics

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

TREHA™

A functional saccharide that slows quality degradation caused by freezing or drying. Manufacture and sale of trehalose used in a wide variety of processed foods.
13-Year Financial Highlights

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


Net sales (Millions of Yen)

<table>
<thead>
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<tbody>
<tr>
<td>2004/3</td>
<td>¥333,101</td>
<td>¥357,836</td>
<td>¥648,023</td>
<td>¥701,321</td>
<td>¥754,755</td>
<td>¥715,238</td>
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<td>¥660,213</td>
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<td>396,308</td>
<td>342,813</td>
<td>397,542</td>
<td>385,379</td>
<td>342,813</td>
<td>397,542</td>
<td>385,379</td>
<td>396,308</td>
<td>342,813</td>
<td>397,542</td>
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<tr>
<td>2008/3</td>
<td>243,567</td>
<td>270,833</td>
<td>265,484</td>
<td>390,323</td>
<td>314,001</td>
<td>289,422</td>
<td>253,922</td>
<td>307,323</td>
<td>289,422</td>
<td>265,484</td>
<td>390,323</td>
<td>314,001</td>
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Performance (Accounting Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Worth Ratio (%)</th>
<th>Return on Equity (ROE) (%)</th>
<th>Operating Margin (Operating Income/Net Sales) (%)</th>
<th>Manufacturing Ratio (Operating Income) (%)</th>
<th>Overseas Sales to Net Sales (%)</th>
</tr>
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<tbody>
<tr>
<td>2004/3</td>
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<td>4.7</td>
<td>1.9</td>
<td>19.2</td>
<td>34.5</td>
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<td>2005/3</td>
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<td>6.4</td>
<td>2.3</td>
<td>16.4</td>
<td>26.5</td>
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<tr>
<td>2006/3</td>
<td>49.6</td>
<td>7.1</td>
<td>2.7</td>
<td>22.3</td>
<td>26.5</td>
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<tr>
<td>2007/3</td>
<td>48.5</td>
<td>6.8</td>
<td>3.1</td>
<td>23.0</td>
<td>30.0</td>
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<tr>
<td>2008/3</td>
<td>47.8</td>
<td>4.9</td>
<td>3.0</td>
<td>21.0</td>
<td>4.9</td>
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<tr>
<td>2009/3</td>
<td>47.6</td>
<td>4.8</td>
<td>3.0</td>
<td>21.0</td>
<td>4.9</td>
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<td>2010/3</td>
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<td>2.8</td>
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<td>2011/3</td>
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<td>2.8</td>
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<td>2013/3</td>
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<td>3.1</td>
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<td>2.8</td>
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<td>2.8</td>
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<tr>
<td>2015/3</td>
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<td>2.9</td>
<td>2.8</td>
<td>2.8</td>
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Financial Condition:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (Yen)</th>
<th>Shareholders' Equity Dividend Rate (%)</th>
<th>Total Assets/ROA</th>
<th>Net Assets (Yen)</th>
<th>Cash Dividends (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/3</td>
<td>¥1,227.82</td>
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<td>0.76</td>
<td>¥16,417</td>
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<tr>
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<td>0.77</td>
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<td>10</td>
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<tr>
<td>2006/3</td>
<td>1,535.70</td>
<td>1.06</td>
<td>1.15</td>
<td>19,413</td>
<td>15</td>
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<tr>
<td>2007/3</td>
<td>1,597.27</td>
<td>1.15</td>
<td>1.24</td>
<td>21,866</td>
<td>18</td>
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<tr>
<td>2008/3</td>
<td>1,599.77</td>
<td>1.25</td>
<td>1.33</td>
<td>23,939</td>
<td>22</td>
</tr>
<tr>
<td>2009/3</td>
<td>1,559.97</td>
<td>1.32</td>
<td>1.40</td>
<td>25,016</td>
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</tr>
<tr>
<td>2010/3</td>
<td>1,435.88</td>
<td>1.44</td>
<td>1.51</td>
<td>26,295</td>
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<tr>
<td>2011/3</td>
<td>1,519.61</td>
<td>1.52</td>
<td>1.60</td>
<td>27,573</td>
<td>28</td>
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<tr>
<td>2012/3</td>
<td>1,568.04</td>
<td>1.60</td>
<td>1.70</td>
<td>28,955</td>
<td>30</td>
</tr>
<tr>
<td>2013/3</td>
<td>1,592.87</td>
<td>1.68</td>
<td>1.78</td>
<td>30,330</td>
<td>32</td>
</tr>
<tr>
<td>2014/3</td>
<td>1,803.31</td>
<td>1.76</td>
<td>1.88</td>
<td>31,705</td>
<td>34</td>
</tr>
<tr>
<td>2015/3</td>
<td>1,942.20</td>
<td>1.84</td>
<td>1.99</td>
<td>33,080</td>
<td>36</td>
</tr>
</tbody>
</table>

Critical Initiatives for Sustainable Growth

Unique Products

- Manufacturing Business
- Trading Business

Leading Us to the Future

- Manufacturing Business
- Trading Business

About the NAGASE Group

- Manufacturing Business
- Trading Business


12

NAGASE & CO., LTD.
Annual Report 2016

13
Message from the President

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

200th Anniversary

We will achieve our goals through Full Participation and Front-Line Focus.

Looking Back on Fiscal 2015

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

Considering the situation, I discussed in my inaugural address the keywords “full participation” and “front-line focus.” These were the concepts I most wanted to impress on our organization. In my New Year’s greeting for 2016, I presented a message called “ONE STEP FORWARD,” reflecting my desire for everyone to reaffirm these key concepts. I firmly believe that these values and the mindset of every manager and every employee in our group. Today, the NAGASE Group moves forward on the efforts of more than 6,000 employees worldwide.

The NAGASE Group has established a set of long-term management policies to take us to our 200th anniversary. These policies will help us achieve the type of growth not possible under our old systems and pace of business. Our aim is to normalize the profit more than tripled, and we are already taking measures to this end. The framework of our long-term management policy is Challenges for Growth and Reinforce the Management Platform for Growth. Under Challenges for Growth, our aim is to realize significant growth by allocating management resources to focused businesses and by shifting operation from Japan-centrism to a multinational management system. In so doing, we believe we can achieve the type of growth not possible under our old ways of doing business. At the same time, under Reinforce the Management Platform for Growth, we are constructing a management platform that will contribute to business expansion and globalization as we work to succeed in these challenges.

Taking Action Toward our 200th Anniversary

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

Long-Term Management Policies

The NAGASE Group has established a set of long-term management policies to take us to our 200th anniversary. These policies will help us achieve the type of growth not possible under our old systems and pace of business. Our aim is to normalize the profit more than tripled, and we are already taking measures to this end. The framework of our long-term management policy is Challenges for Growth and Reinforce the Management Platform for Growth. Under Challenges for Growth, our aim is to realize significant growth by allocating management resources to focused businesses and by shifting operation from Japan-centrism to a multinational management system. In so doing, we believe we can achieve the type of growth not possible under our old ways of doing business. At the same time, under Reinforce the Management Platform for Growth, we are constructing a management platform that will contribute to business expansion and globalization as we work to succeed in these challenges.

Summary of Long-term Management Policy

Looking for Growth

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

Reinforce the Management Platform for Growth

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

Normalization of the profit more than tripled.
Message from the President

Global Branding Initiatives

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

A New Mid-Term Management Plan

To achieve our goal of normalization of the profit more than trifled, we divide 17 years of our term into 3 and start the five years between fiscal 2016 and fiscal 2020 positioned as Stage 1: Reform. The new ACE-2020 mid-term management plan is a plan for executing Reform of Profit Structure and Reform of Corporate Cultures. The ACE in ACE-2020 stands for Accountability, Commitment, and Efficiency.

ACE-2020 Overview

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

Basic Policy

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

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

Reform Profit Structure

We divide our entire business into four sectors, “Growth/Emerging,” “Focus,” “Base,” and “Improvement” to gain maximum efficiency of management resources and expand business. Furthermore, we have set a growing investment distribution ratio for the focus area to greater than 35 percent.

NAGASE Vision

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

NAGASE Group Slogan

Bringing it all together

Categorize businesses and execute strategies suitable for each category

<table>
<thead>
<tr>
<th>Category</th>
<th>Business Name</th>
<th>Resource Allocation Policy</th>
<th>Resource Allocation Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth/Emerging</td>
<td>Transform to “Focus” in 5 years</td>
<td>Resource allocation to accelerate growth</td>
<td>Resource allocation to accelerate growth</td>
</tr>
<tr>
<td>Focus</td>
<td>Expended further increase in profit</td>
<td>Priority Measures:</td>
<td>Priority Measures:</td>
</tr>
<tr>
<td></td>
<td>Life &amp; Healthcare Electronics</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expand scale,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>polished structure,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Horizontal expansion of market,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Strengthen marketing,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimize risk</td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>Contributed to stabilize increase the corporate value</td>
<td>Resource Allocation Policy</td>
<td>Resource Allocation Policy</td>
</tr>
<tr>
<td></td>
<td>Resource allocation to sustain business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Priority Measures:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce fixed and liquidity costs,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minimize risk</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Group synergy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stabilized business</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve profit structure</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nationalization &amp; Interstate</td>
<td></td>
</tr>
<tr>
<td>Improvement</td>
<td>Immediately required drastic improvement in profit structure</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Priority Measures:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reduce existing strategy</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Elusive structural reform that minimizes withdrawal</td>
<td></td>
</tr>
</tbody>
</table>

M&A conducted by HQ that adds into Focus and Base areas

Accelerate to withdraw from unprofitable business, solidify management resource that can be reallocated, conduct aggressive growth investment.

Focused Measure (1)-1

Expand and Strengthen Revenue Base

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

Expand and Strengthen Revenue Base

Aim for *600 Billion Yen of total sales of overseas group

- Search and execute growth investment (M&A) that matches with the market strategy of the designated area and accelerate the business development to expand business (especially focused in North America).
- New market development via strengthened “out-out” organic bias.

Proactively execute own market strategy in each area. Elevate group presence by increase in sales.

As a long term strategy, group manufacturing companies manage autonomously, and create a new business based on a scenario agreed upon by manufacturing, development and sales.

- New product development and placement of the product into market, cultivation of new market and penetrate into high value added field.
- Overseas sales expansion of Trublaze, 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)
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 Corporate Culture**

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

**Focused Measure (2)-1**

Mindset

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

**Focused Measure (2)-2**

Strengthen Management Platform

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

**To Our Stakeholders**

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

The growth of the NAGASE Group relies heavily on maintaining positive relations with our stakeholders, and particularly on our relations with shareholders and investors. We have done our best to deliver consistent dividends to our shareholders based on considerations of consolidated payout ratio and consolidated dividend on equity. I hope to increase opportunities for constructive dialogue with our shareholders and investors. We will strive to act on the feedback we receive. I ask for your continued support as the NAGASE Group works to break through to new levels of growth.
Our Board
(as of June 29, 2016)

Sustainable corporate value through management and disclosure Accountability

Directors

1. Representative Director and Chairman
   Hiroshi Nagase

2. Director and Vice Chairman
   Kohei Sato

3. Representative Director and President and CEO
   Ichiro Wakabayashi

4. Director and Managing Executive Officer
   Hidenori Nishi

5. Director and Managing Executive Officer
   Osamu Morishita

6. Director and Executive Officer
   Hideyuki Shirafuji

7. Director and Executive Officer
   Nagase Application Workshop

8. Outside Director
   Reiji Nagase

9. Outside Director
   Nobumasa Kanno

Corporate Auditors

Audit & Supervisory Board Member
Kensichi Matsuki

Audit & Supervisory Board Member
Masahiko Hamaguchi

External Audit & Supervisory Board Member
Nobuyuki Shirafuji

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

Executive Officer

Akihiko Isomo
Managing Executive Officer
Nagase Chemicals Corporation

Katsuhisa Yamaguchi
Executive Officer
CEO, Greater China and COO, Nagase Business Management & Pharma Shanghai Co., Ltd.

Mitsuru Kanno
Executive Officer
CEOs and COOs, Nagase Europa GmbH

Masatoshi Kamada
Executive Officer
GM, Electronic Materials Department

Masanori Furukawa
Executive Officer
Hokkoh Co., Ltd

Satoru Morita
Executive Officer
GM, Intellectual Property Office

Masayo Ikimoto
Executive Officer
General Executive, Automotive & Energy Segment

Yoshinori Mihara
Executive Officer
General Executive, Functional Materials Segment

Naoki Yashiba
Executive Officer
General Business, Life & Healthcare Segment

Takahito Okumura
Executive Officer
QA, Electric & Chemicals Department

Critical Initiatives for Sustainable Growth

Leading Us to the Future

About the NAGASE Group
Corporate Governance

Outside Director, Outside Corporate Auditor Assignments

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

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

[Supplementary Principle 1-2-4] English translation of shareholders’ meeting convocation notice

To ensure a proper format for shareholders to exercise their voting rights in general shareholders’ meetings, NAGASE & CO., LTD. uses the proxy voting platform service operated by Investor Communications Japan. NAGASE provided an English translation of the convocation notice for the 101st General Shareholders’ Meeting, held June 29, 2016. (See p. 27 for more about outside directors and outside corporate auditors.)

[Principle 3-1 (vi)] Explanations with respect to individual appointments and nominations of candidates for director and corporate auditor

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

[Principle 5-1] Policy for constructive dialogue with shareholders

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

Basic Approach

The NAGASE Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees. Under our management philosophy, we have established the NAGASE Vision as our promise to our stakeholders: To realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities.

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

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

Initiatives to Strengthen Corporate Governance

<table>
<thead>
<tr>
<th>Year</th>
<th>President</th>
<th>Chairman of the Board of Directors</th>
<th>Director Compensation Committee</th>
<th>Compliance</th>
<th>Risk-Management &amp; Compliance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>Hiroshi Nagase</td>
<td>President</td>
<td>2001~</td>
<td>2002~ Established Basic Compliance Policy</td>
<td>2003~ Established NAGASE Group Compliance Behavior Standards</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td>Chairman</td>
<td>2002~</td>
<td>2003~ Risk Management &amp; Compliance Committee</td>
<td>Revised</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td>2003~</td>
<td>2004~ Established Compliance Call Center Rules</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td></td>
<td>2004~</td>
<td>2007~ Internal Controls Promotion Committee</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td>2007~</td>
<td>2009~ Internal Controls Committee</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td></td>
<td>2009~</td>
<td>2010~ Director Compensation Committee</td>
<td></td>
</tr>
</tbody>
</table>
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 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.

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

Under the executive officer system, the NAGASE corporate governance system collaborates various internal committees to appoint outside directors and members to the Audit & Supervisory Board as well as to reinforce its corporate governance systems. 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.
Corporate Governance

Director Compensation

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

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

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

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Compensation (in millions of yen)</th>
<th>Total Compensation by Type</th>
<th>Number of Eligible Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (including Outside Directors)</td>
<td>304</td>
<td>233</td>
<td>71</td>
</tr>
<tr>
<td>Corporate Auditors (excluding Outside Corporate Auditors)</td>
<td>43</td>
<td>43</td>
<td>—</td>
</tr>
<tr>
<td>Outside Officers</td>
<td>49</td>
<td>49</td>
<td>—</td>
</tr>
</tbody>
</table>

Important Matters regarding Employee Bonuses for Employees Also Serving as Directors (in millions of yen)

<table>
<thead>
<tr>
<th>Total Number of Eligible Directors</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>35</td>
<td>Paid in an amount equivalent to employee bonus</td>
</tr>
</tbody>
</table>

Internal Audit System

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company’s business activities including affiliated companies. The Audit Office is staffed by 14 employees, including certified public accountants, certified internal auditors (CIA), qualified internal auditors (QIA) and other individuals who possess specialized knowledge in internal audits.

The Audit & Supervisory Board consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance and accounting.

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

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

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

Certified Public Accountants

- Miko Kameshi
- Hideo Yamauchi
- Yasuhiro Takeda

Auditing Firm

- Ernst & Young ShinNihon LLC

Independent Standards and Policies for Policies for Outside Directors

NAGASE & CO., LTD. selects candidates for outside directors in accordance with the standards of independence stipulated by the Financial Instruments Exchange, and who have the ability to identify issues from a perspective representing the interests of stakeholders and society at large.

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

Policies related to Company Information Disclosure

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

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

See Timely Disclosure System on our corporate website for more.

Business Continuity Planning

Business Continuity Planning

Fiscal 2015 Results

During October 2015, the Group conducted initial response training at the Tokyo Headquarters, Osaka Headquarters, and Nagoya branch office. The training tested the response of the Fire Prevention Headquarters, Self-Defense Squad, Facilities Confirmation Team, Information Systems Team, and Logistics Confirmation Team during a simulated emergency.

We also held workshops in June 2015 to discuss issues and improvements related to business continuity plans drawn up by each department.

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

Fiscal 2016 Initiatives

As in fiscal 2015, we will continue to conduct emergency response training to improve initial response quality and speed. We will conduct BCP training for the NAGASE Global HDR 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.
At a Glance

**Functional Materials**
- Performance Chemicals Department
- Speciality Chemicals Department

**Advanced Materials & Processing**
- Colors & Advanced Processing Department
- Polymer Global Account Department

**Electronics**
- Electronic Chemicals Department
- Electronic Materials Department

**Automotive & Energy**
- Automotive Solutions Department
- Energy Business Office

**Life & Healthcare**
- Life & Healthcare Products Department
- Beauty Care Products Department

**About the NAGASE Group**
- Leading Us to the Future
- Performance by Segment
- Critical Initiatives for Sustainable Growth
- Financial and Corporate Information

**At a Glance**

**Functional Materials**

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>1,699</td>
<td>1,642</td>
<td>1,571</td>
</tr>
<tr>
<td>Operating Income (¥ million)</td>
<td>43</td>
<td>43</td>
<td>36</td>
</tr>
</tbody>
</table>

**Advanced Materials & Processing**

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>2,392</td>
<td>2,541</td>
<td>2,555</td>
</tr>
<tr>
<td>Operating Income (¥ million)</td>
<td>37</td>
<td>48</td>
<td>49</td>
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</table>

**Electronics**

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>1,370</td>
<td>1,499</td>
<td>1,379</td>
</tr>
<tr>
<td>Operating Income (¥ million)</td>
<td>64</td>
<td>55</td>
<td>62</td>
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**Automotive & Energy**

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
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</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>909</td>
<td>1,098</td>
<td>1,153</td>
</tr>
<tr>
<td>Operating Income (¥ million)</td>
<td>10</td>
<td>22</td>
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**Life & Healthcare**

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
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<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>768</td>
<td>766</td>
<td>855</td>
</tr>
<tr>
<td>Operating Income (¥ million)</td>
<td>40</td>
<td>31</td>
<td>38</td>
</tr>
</tbody>
</table>

**Net Sales by Segment**

- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Others

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales (¥ million)</td>
<td>7,421</td>
<td>7,597</td>
<td>7,232</td>
</tr>
</tbody>
</table>

**Operating Income by Segment**

- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Others

<table>
<thead>
<tr>
<th>Segment</th>
<th>1/14</th>
<th>3/15</th>
<th>1/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (¥ million)</td>
<td>180</td>
<td>181</td>
<td>157</td>
</tr>
</tbody>
</table>
Fiscal 2015 Strategies and Results

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

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

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

The Speciality Chemicals Department reported strong results, mainly driven by successful sales of high-value-added products. Despite falling oil prices and a slowdown in the Chinese economy, the Speciality Chemicals Department reported strong results, mainly driven by our ability to develop new businesses.

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

Fiscal 2015 Strategies and Results

The Speciality Chemicals Department focuses on developing high-function raw materials in demand by industries involved in plastics, electronics, automobiles, industrial oil solutions, water processing agents, and more. Despite falling oil prices and a slowdown in the Chinese economy, the Speciality Chemicals Department reported strong results, mainly driven by our ability to develop new businesses.

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

Fiscal 2016 Strategies

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

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

Fiscal 2016 Strategies

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

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

Fiscal 2016 Strategies

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

Fiscal 2015 Strategies and Results

Our pigments, digital print processing materials, and copolymer resin businesses all reported strong results for fiscal 2015. Profits for inspection systems also improved, owing to orders from our major customers. Meanwhile, we experienced a challenging year in terms of a drop in prices, which was caused by cheap oil and weak exchange rates in local currencies overseas. However, we also began doing business with a new supplier, which has served to build a foundation for growth in 2016 and beyond.

Fiscal 2015 Strategies and Results

For fiscal 2015, the resin sales business reported net sales and operating income essentially level with the prior fiscal year. In China, our in-country demand businesses and inland China business combined for continued growth, contributing to earnings in a significant way. NWP International Trading (Shenzhen) Ltd., NAGASE Marketing and Service (Suzhou) Ltd., and Guangzhou Nagase Trading Co., Ltd. represent our in-country demand, while Shanghai Huafang Trading Co., Ltd. represents our East China inland business. In Southeast Asia, our local entities reported strong sales to non-Japanese customers. In Japan, we were selected as a strategic procurement partner for Japanese-affiliated end users, securing new commercial rights that drove revenues and profits.

Meanwhile, we experienced a challenging year in terms of a drop in prices, which was caused by cheap oil and weak exchange rates in local currencies overseas. However, we also began doing business with a new supplier, which has served to build a foundation for growth in 2016 and beyond.

Fiscal 2016 Strategies

We view fiscal 2016 as a year to pursue new goals in restructuring our revenue base under the ACE-2020 mid-term management plan. Our resin sales business is a core business in our department. Hence, we intend to leverage the NAGASE Group network to continue securing commercial rights and expanding our business. By area, we intend to continue strategies for reinforcing our sales structures in China and Southeast Asia, while also aggressively pursuing new business in areas outside Asia.

We have targeted our compound business for further incubation. In this business, we have plans to improve revenues at affiliated companies and use our considerable accumulation of technologies to introduce added-value products under our own brand name. We will also focus on our packaging materials business, working with partners to expand in Asia, where the market is particularly promising.

TOPICS Proprietary Denapolymer™ Compound

Wholly owned subsidiary Setsumar Kasei Co., Ltd. launched its own Denapolymer™ brand of products. Denapolymer™ is a result of the company’s strengths in resin processing technologies. This new product line features recycled resins that offer unique features in an environmentally-friendly format. Today, high-vissel polyethylene is receiving significant attention in the market. We expect it to provide differentiation from our competitors.
Fiscal 2015 Strategies and Results

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

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

Fiscal 2016 Strategies

The Electronic Chemicals Department will be active in expanding our business in new markets, using our strong global sales network, growing our mutual businesses and pioneer-markets. We will leverage the capabilities of the NAGASE Group to grow our business.

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

TOPICS

Global Expansion of Total Solutions based on Proprietary Group Technologies

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

Fiscal 2015 Strategies and Results

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

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

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

Fiscal 2016 Strategies

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

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

We will highlight the capabilities of our Group to strengthen our diverse group of businesses and expand our global presence to new frontiers. We will launch a new business selling materials that have become the de facto standard in communication device components and semiconductor applications for smartphones. Sales of epoxy sheet encapsulant materials for applications in smartphone electronic components continued to grow in fiscal 2015. We also launched a new business selling heavy electric materials for use in Japanese infrastructure.

While expanding in overseas manufacturing bases, we began a new business for composites in the Chinese and North American markets.
Automotive & Energy

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

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

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

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

Fiscal 2016 Strategies
The direction for the Automotive Solutions Department under the five-year ACE-2020 plan is to put our current business group on a path toward sustainable growth, while working globally to promote businesses that offer new functions leading to the next generation of mobility society.

The NAGASE Network

The EBO Vision, aligned with the NAGASE Group Branding activities. Beginning fiscal 2016, the optical communications technology development team, which is responsible for the development and sale of LED visible light communications equipment, will work under the Energy Business Office. This move is intended to bring innovation to our target infrastructure markets and help us develop proprietary systems that link communications devices with current energy management equipment.

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

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

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

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

Fiscal 2016 Strategies
Helping to Build a Smart Society Infrastructure
Bringing Innovation to Housing, Industry, Traffic, IT, and Communications Infrastructure

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Performance by Segment

Life & Healthcare

Fiscal 2015 Strategies and Results

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

Despite the emergence of competitors in the food materials industry, we have made effective use of our sales agent network and provided valuable technical support services leading to growth in net sales. Our enzymes business achieved plan in both net sales and profits as we answered demand for development projects both in Japan and overseas. In perfumes and cosmetics, we significantly outperformed plan as we experienced accelerated sales of the Hayashibara AA2G™ product (whitening) by overcoming demand from inbound tourists to Japan. Our work to strengthen the development pipeline for our pharmaceuticals business and our expansion in the generics market, in perfumes and cosmetics, we significantly outperformed plan as we experienced accelerated sales of the Hayashibara AA2G™ product (whitening) by answering demand from inbound tourists to Japan. Our work to strengthen the development pipeline for our pharmaceuticals business and our expansion in the generics market, in perfumes and cosmetics, we significantly outperformed plan as we experienced accelerated sales of the Hayashibara AA2G™ product (whitening) by overcoming demand from inbound tourists to Japan.

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

In Fragrance/Cosmetics, we intend to step up our marketing activities by using IT, creating a foundation for establishing NAGASE as a household word in perfume and cosmetics. In pharmaceuticals, we plan to make further improvements to our development pipeline, raising our sights to expand our business in overseas markets as well as in our domestic ones. In medical materials, our plan is to cooperate with other departments to build a stronger business foundation. We will also bolster our legal and regulatory department, continuing to transition from “defense” to “offense,” creating profits by offering proprietary functions not available from other companies.

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

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

Fiscal 2016 Strategies

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

Topics

Growing Demand for AA2G® (Stabilized vitamin C) in Japan

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

Topics

NAGASE Rosemarist

NAGASE Rosemarist features a formulation of five rosemary extracts, including fermented with EF extract (a new component included in DNA recovery systems) and Rosemary Extract D5 (an anti-acaricial formulation agent). With age, the skin’s ability to heal weakens. NAGASE Rosemarist cream, the pinnacle of our skin care product line, reactivates this ability to make skin more supple and rich.
Built on a foundation of chemistry, the NAGASE Group is engaged in activities around the world that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare segments. These products and services include dyes/pigments, coating materials/inks, surfactants, office automation (OA), electrical equipment, home electronics, automobiles, LCDs, semiconductors, pharmaceutical/medical applications, cosmetics and functional food ingredients.

We have grown to become a global technology and information network with 102 companies in 22 countries and 6,267 employees (consolidated) worldwide as of fiscal year ended March 2016. Today, overseas revenues represents 51.1% of our total business.

**Overseas Strategy**

Under the New Mid-Term Management Plan

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

1. **Accelerate globalization**
2. **Improve manufacturing profitability**

**Accelerate Globalization**

Aim for ¥600* billion in total sales of overseas group. Search and execute growth investment (M&A) that matches with the market strategy of the designated area and accelerate the business development to expand business (especially focused in North America).

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

**Improve Manufacturing Profitability**

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

### Major Market Trends

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

### Fiscal 2016 Strategies

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

### ASEAN-India CEO

**Takayuki Masuda**

- **Net sales** (in hundred million) 1,224
- **Operating Income** 151
- **Net Income** 152
- **Change (%)** 10.3

**Fiscal 2016 Strategies**

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

### ASEAN

- **Net sales** (in hundred million) 1,084
- **Operating Income** 120
- **Net Income** 113
- **Change (%)** 10.3

**TOPICS Creating New Businesses out of Singapore**

In Singapore, our buy-sell business model has become less feasible with the move of manufacturing sites into neighboring countries. In response, we have shifted to a new regional strategy of building new businesses through investment in local technology innovations. In July 2015, we invested in ACM Biolabs Pte Ltd. to gain a foothold in an emerging business field. ACM is the first company in the world to develop an artificial cell membrane protein. This technology is a promising platform for pharmaceutical drug development, vaccines, and consumer care product applications.
Europe is home to numerous leading global companies and research institutes that conduct new technology and product development for the automotive, cosmetics, and electronics industries. NAGASE is working to create new business opportunities by working with global corporations and research institutes, focusing on the products and technologies of NAGASE Group manufacturing companies.

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

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

Fiscal 2015 Results
While we are maintaining our automotive solutions and electronics businesses, experienced sluggish sales for the year, we launched new businesses in the specialty chemicals and coating materials fields. We are also making progress in developing new applications through tie-ups with local Group manufacturing companies, expanding sales of products under our own brand name. Further, investments in projects designed to become core businesses of the future have shown promising signs.

Fiscal 2016 Strategies
Our medium- and long-term policies call for two main strategies: (1) Transition to a business model based on the needs of the European markets and (2) Focus resources on cosmetics, food, electronics, and automobiles as our main target industries.

Fiscal 2016 Strategies
Moving forward, we plan to review our business portfolio strategy, concentrating resources on businesses deemed Focus businesses. We also plan to create new businesses by growing our presence in emerging markets, stepping up our marketing for Group products, and making effective investments. In so doing, we expect to make a transition in our profit structure to achieve sustainable growth.

Fiscal 2016 Strategies
We will also provide a more robust shared services function for Group companies within the region. As we strengthen ties among Group companies, we will treat the Americas as one market. At the same time, we intend to grow our business and strengthen operations by tailoring our business strategies to local customs and business practices.

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

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

Topics
Use FTA to Grow Business Originating in Korea
Focus on Mexico
Korea represents an important market internationally. An export-based economy, Korea’s top companies are striving to find their Japanese competition, achieving remarkable growth through globally oriented, speed-based management practices. Korea is positioned with superior access to the EU, U.S., China, and ASEAN due to free trade agreements, and Korea has a history of successful in emerging markets.

Topics
Use FTA to Grow Business Originating in Korea
Our share of NAGASE Group product is increasing, accounting for nearly 40 percent of our profits. In particular, we have obtained certification for materials to be used in promising projects in the semiconductor and food industries.

Topics
Use FTA to Grow Business Originating in Korea
NAGASE Group Sales Network in Mexico

Topics
Use FTA to Grow Business Originating in Korea

Topics
Use FTA to Grow Business Originating in Korea

Topics
Use FTA to Grow Business Originating in Korea
Main Manufacturing and Processing Functions

Nagase ChemteX Corporation

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

Akihiko Isono
Representative Director and President
Nagase ChemteX Corporation

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. However, the large format TV business experienced challenges in the domestic markets due to the emergence of Chinese, Taiwanese, and South Korean manufacturers. For automobiles and other transport-related equipment, our response to demands for weight savings and environmental considerations will likely lead to increases in plastic materials usage, for which we can expect future growth. The introduction of a government mandated functional foods labeling program has presented an opportunity for enzyme production in the food field.

Fiscal 2015 Results

Net sales for fiscal 2015 amounted to ¥23.77 billion (10% year-on-year decrease), while operating income came in at ¥1.52 billion (13% decline). This decline in revenues was mainly due to the transfer of our pharmaceuticals business last year and changes we made in sales channels for our credit card business. Profits were lower mainly due to price downturns for display materials.

Production Systems

With the goal of improving the safety awareness of all employees, we began an official safety awareness training program during fiscal 2015. To date, more than 200 individuals in Nagase ChemteX and nearby companies have received training. To reduce factory energy costs and CO2 emissions, we have adopted and operate high-efficiency freezers and underground hydrothermal heat pumps, engaging in activities to improve energy and biotechnology field.

Research and Development Organization

Currently, we employ a total of 160 staff who work in departmental product development or at our Research and Development Head Office. Staff working at our Research and Development Head Office are responsible for creating new businesses. Our division product development department works 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 setting market needs. This office also pursues development projects with universities and research institutes to find emerging business opportunities. During fiscal 2015, the Research and Development Head Office made breakthroughs in a number of medical materials and additive manufacturing technologies intended for commercialization.

Nagase ChemteX Corporation Research and Development Organization

Fiscal 2015 Operations

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

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

Fiscal 2016 Strategies

Nagase ChemteX has divided the five years of the ACE-2020 into two phases. The first two-year phase will be one of improving and strengthening our fundamental condition as a business. In the latter three-year period, we plan to accelerate the pace of new business and new product development. Throughout the first five years of the ACE-2020 plan, we intend to optimize our business portfolios, as well as expand and strengthen our profit structure. At the same time, we will instill the ACE-2020 mindset throughout our organization, working to reinforce the foundation of our management operations. Fiscal 2016 will be the first year we work under the guidance of the ACE-2020 plan. Operating under a division system will allow us to centralize revenue management under each division, clearly identifying revenue structures, reducing costs, and moving/diversifying unprofitable products. We will also train our employees to have a greater sense of initiative, while improving operations, safety, production technologies, and quality assurance as we focus on creating new businesses.

Fiscal 2016 Strategies
Our business is divided mainly into two categories. Our functional saccharides business leverages biotechnology to manufacture and sell functional saccharides, including food materials (TREHA™, Hayashibara Hesperidin S, and Fibryxa™ (isomaltodextrin)), cosmetics materials (AA2G™, stabilized vitamin C), and pharmaceutical materials (maltoose). Our Fine & Wellness business utilizes organic synthesis technologies to offer products in commercial photography and display, as well as pharmaceuticals (LUMIN™-A) and other products in the life sciences field. To be more global, we intend to strengthen new materials development and new product development in parallel. At the same time, we will establish a reliable global supply system for high-quality products, promoting food safety and quality assurance in line with global standards.

Major Market Trends

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

We began operations of two new plants to replace the former Okayama Plant 3, establishing systems to supply products reliably and safely through state-of-the-art manufacturing facilities. We are moving ahead with plans to build an additional 10,000 tons of capacity at the Okayama Functional Saccharide Plant, T Building, which manufactures TREHA™. The new additions should be ready for operations in late 2016. In addition to making advances in manufacturing process improvements and energy efficiencies through our own engineering methods, we have also adopted quality control systems based on FSSC22000, ISO9001, and GMP. To answer customer requests from overseas, we are making progress toward Kosher and Halal certification.

Production System

Net sales for fiscal 2015 outpaced prior-year by 2%, reaching ¥243.8 billion. These results were mainly due to aggressive market development in Japan and overseas and an increase in inbound tourist demand. Meanwhile, operating income decreased 6% to ¥4.51 billion, mainly due to temporary cost increases to stabilize product quality in connection with operations at our new plant and temporary cost increases associated with adopting the consolidated taxation system.

Fiscal 2015 Results

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

Fine & Wellness Business

Research and Development Organization

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

Fiscal 2015 Operations

Fiscal 2016 Strategies

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

On the production front, we are shores up our technology development and production centers in Okayama while researching the potential for overseas production from the standpoint of consistent raw materials procurement and competitiveness. Our highly original materials research is the DNA of our company. Based on our capabilities and experiences, we plan to further deliver added value combining our own materials, utilizing government-academic-industry projects, and contributing to a healthier and happier society.
**Major R&D Functions**

The Nagase R&D Center serves to provide biotechnology research and development functions for the NAGASE Group as a whole, bridging the NAGASE Group trading company and manufacturing hybrid business model. Our mission is to develop proprietary actinomycetes technologies to bring safe, secure, eco-friendly chemicals and materials to fruition through biotechnology process innovations. Guided by this motto, we pursue research and development activities that provide value to both NAGASE Group affiliated companies and our customers. This type of value is distinctive of the research and development function within the traditional trading company model.

**Nagase R&D Center**

Liu Xiaoli

Division Manager, Research & Development Center

The Fiscal 2016 Strategies

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

**Intellectual Property Administration and Usage**

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

**Development History**

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

During fiscal 2016, we will accelerate the speed at which we engage in cooperative business development with other divisions and affiliated companies in Japan and overseas. In particular, we are targeting the commercialization of PatinaLock™ (antirust paint), a carbon hybrid coating system, and a highly stable polyelectrolyte. Our goal is to uncover new elemental technologies and functional materials earlier than any other company in the world, contributing to growth in our markets. We will develop useful formulations and create proprietary NAGASE technologies that we can suggest as effective solutions to our customers.

**Fiscal 2016 Policies**

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

**TOPICS**

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

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

**Fiscal 2016 Strategies**

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**Achievements in Fiscal 2015**

- Using microbes to produce natural UV absorbers (patented)
- Publication of a paper explaining the UV-absorbing substance
- Publication of a paper on the enzyme production effects of new bacterial compounds
- Authorizations of a publication on functions, production methods, and applications of phospholipid surfactants
- Feasibility study on the production of anti-aging cosmetics ingredients utilizing actinomycetes
- Methods for producing proteins as electronic materials utilizing microorganisms

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Critical Initiatives for Sustainable Growth

Human Rights, Employment Practices

Respect for Human Rights

The NAGASE Group has a Code of Conduct which defines our respect for human rights and our refusal to discriminate against individuals or groups in any manner. As a corporate group doing business around the globe, the NAGASE Group respects the history, culture, and customs of every region, and we do not engage in harassment or discrimination based on race, creed, gender, religion, nationality, language, physical characteristics, wealth, or place of birth. This Code of Conduct is available in Japanese, English, Chinese, and German, distributed as a booklet and available through our corporate intranet for the reference of all Group employees. We require every NAGASE Group employee to comply with this Code of Conduct. In the event of an incident of discrimination, the Group will take immediate steps to investigate the situation, acting to help the affected individual(s) and to prevent any recurrence.

Diversity

1. Basic Stance on Diversity

The NAGASE Group currently employs a diverse range of workers who differ in terms of gender, nationality, age, values and lifestyles. The NAGASE Group believes that corporate culture can lead to the creation of new businesses and improved business performance. Therefore, we want to develop a corporate culture in which a diverse workforce can share ideas, build a mutual understanding of shared values, and help each other perform their duties with energy and new synergies. As such, we at the NAGASE Group believe that diversity is not only a value but an important corporate strategy.

Objectives to Achieve through the Promotion of Employee Diversity

- Diversity in attributes
- Diversity in thinking-individuals
- Diversity in opinions
- Synergy of knowledge among an organization or group

Enhanced performance throughout the Group

Construction of a base for diversity: Corporate philosophy, shared vision, mutual understanding, respect, acceptance, promotion of relationships of mutual support

2. Diversity Initiatives

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

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

Work-Life Balance

1. Basic Stance on Work-Life Balance

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

2. Work-Life Balance Initiatives

The monthly meeting of the Safety Committee includes a discussion of policies regarding basic awareness of overtime and flexible work schedules. The committee uses the results of workplace surveys to gauge progress, striving with the cooperation of staff and management to make NAGASE a better place to work. The Company decided to expand options for shorter work hours beginning fiscal 2015.

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

Professional Development

1. The NAGASE Group Professional Development Policy

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 staff designed to more fully deliver the NAGASE Group functions.

Themes for Diversity Promotion

- Sharing corporate philosophy and vision
- Enhancing transparency
- Eliminating a mindset that leads to gender bias
- Nurturing relationships of friendly competition
- Creating a work environment in which employees feel free to utilize the in-house benefits systems

1. In-house education
- Periodic messages from top management. Broadcasts of related information
- In-depth training through Management Philosophy, NAGASE Way, Department, Career Conditions

2. Diversity in organization and individual
- Improving global communications
- Support for employees’ career development
- Continuous employment for Japanese, women for managerial positions, employees in corporate culture

3. Develop comfortable workplace
- In-depth awareness and active initiatives for continuity and productivity improvements
- Support employees who are dealing with home care or other challenges

Number of Employees by Gender

<table>
<thead>
<tr>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000</td>
<td>961</td>
<td>972</td>
<td>978</td>
</tr>
</tbody>
</table>

Number of Career-track Employees Hired among New Graduates

<table>
<thead>
<tr>
<th>Total</th>
<th>Male</th>
<th>Female (Left Size)</th>
<th>Female (Right Size)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>31</td>
<td>36</td>
<td>27</td>
</tr>
</tbody>
</table>

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

### 2 Major Policies

- **Strengthening Management Capabilities and Business Skills; Fostering Globally Proficient Personnel**
  
  We have emphasized the following three points among our various development policies: We will continue to revise Group education and training programs according to changes in the external business environment and NAGASE Group strategy.

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

### Number of Participants at Main Training Programs

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Rank Specific</td>
<td>601</td>
<td>896</td>
<td>796</td>
</tr>
<tr>
<td>Elective</td>
<td>10</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td>Overseas</td>
<td>19</td>
<td>16</td>
<td>19</td>
</tr>
</tbody>
</table>

The Business Leadership Program for Overseas National Staff: 33, 42, 37

### Staff Development Program

<table>
<thead>
<tr>
<th>For National Staff</th>
<th>For Chemical Position Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Program</td>
<td>Skills</td>
</tr>
<tr>
<td>General Manager</td>
<td>NMP (Nagase Management Program)</td>
</tr>
<tr>
<td>Division Manager</td>
<td>NMP (Nagase Management Program)</td>
</tr>
<tr>
<td>Section Manager</td>
<td>NMP (Nagase Management Program)</td>
</tr>
<tr>
<td>NMP (Nagase Management Program)</td>
<td></td>
</tr>
<tr>
<td>MBE Basic Education Program</td>
<td></td>
</tr>
<tr>
<td>Overseas Business On-the-Job Training</td>
<td></td>
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<tr>
<td>GPA (General Management Program)</td>
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</tr>
<tr>
<td>Manager Training</td>
<td>Management Skills Seminar</td>
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<tr>
<td>Approver Training</td>
<td>Business Improvement Program</td>
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<tr>
<td>Manager Candidates Training</td>
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<tr>
<td>MBA Basic Education Program</td>
<td></td>
</tr>
<tr>
<td>Leadership Training</td>
<td>Practical Skills Seminar</td>
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<tr>
<td>BMP (Basic Management Program)</td>
<td></td>
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<tr>
<td>Core/Skill Training</td>
<td>Office Systems Training</td>
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<tr>
<td>SA Training (Promotion)</td>
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<tr>
<td>Introductory Training</td>
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<tr>
<td>Basic Practical Skills Seminar</td>
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<tr>
<td>Office Systems Training</td>
<td></td>
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<tr>
<td>Introductory Training</td>
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</table>

### Using the NAGASE Global HR Development Center

In May 2014, we opened the NAGASE Global HRD Center in Sendagaya, Tokyo. The Center serves as our base for developing human resources that will lead us toward sustained growth.

During fiscal 2015, we used the facility for a number of different purposes. We held major meetings (joint division council meetings, global meetings, midterm plan council meetings), training (HR training, group company training, intern training, etc.), product training, professional networking opportunities, and more. A total of 3,351 people used the facility during fiscal 2015, including 1,183 room nights and 122 training meetings.

### Environment

#### Environment Management

**NAGASE Group Environmental Management Structure**

NAGASE began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee, a role currently assumed by the Risk Management & Compliance Committee. Earlier than other trading companies in Japan, NAGASE & CO., LTD. obtained ISO 14001 certification for its environmental management system in April 2000 in response to societal demands. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifications and thereby expanded the scope of certification.

We conduct activities together with six sales companies, Nagase Chemical, Nagase Plastics, Nagase Abrasive Materials, Nishinouh Nagase, Nagase Electra and Nagase-OG Colors & Chemicals under the Environmental ISO Management Organization.

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

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

#### Environmental Management Activities

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

Another way we believe we can shrink our environmental footprint through our business is to be more efficient in our 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.
Critical Initiatives for Sustainable Growth

Environmental Policy

- Comply with all environmental laws, regulations and other rules.
- Establish and continually improve an environmental management system.
- Develop businesses that give full consideration to environmental issues.
- Establish objectives and work to meet them.
- Disclose and make the relevant parties fully aware of our Environmental Policy.
- Fulfill our responsibilities as a good corporate citizen.

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

We will establish 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.

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.

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Reducing Our Ecological Footprint

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

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

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

Environmental Performance Data

Environmental Performance Data

Environmental Performance Data

Electricity Usage

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

Waste, Recycling

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

Carrying out the NAGASE Group Code of Conduct

NAGASE & CO., LTD. has established a Code of Conduct in November 2012, distributing the document to all employees throughout the entire domestic and international NAGASE organization. In January 2015, we established the Crisis Management Guidelines. These rules are part of a structural and communicative 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.

Risk Management and Compliance

Identify, Understand, and Control Risk

The Company established the Risk Management & Compliance Committee to put into place a structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. This Committee determines committee member functions and authority, operating a structure of clearly defined roles and responsibilities. Under the committee's leadership, department managers address risks in their particular areas by formulating policies 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 strive to lower the risks that could impact the Company's business.

In addition, the Risk Management & Compliance Committee formulates the basic compliance policy to maintain the Company's compliance system and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the NAGASE Group Code of Conduct. Should employees of NAGASE or any Group companies become aware of legal or other compliance issues, they immediately report to the Risk Management & Compliance Committee, which promptly reports to the Audit & Supervisory Board. In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly. The Company revised the NAGASE Group Code of Conduct in November 2012, distributing the document to all employees throughout the entire domestic and international NAGASE organization.

In January 2015, we established the Crisis Management Guidelines. These rules are part of a structural and communicative 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.
1. Basic Approach

The risk of cartel enforcement, particularly cartels, under the Antimonopoly Act can have a major impact on a business. Since cartel regulations can be complex, particularly for manufacturing firms, the NAGASE Group actively conducts education activities, mainly for our manufacturing companies. Our sales companies (including NAGASE & CO., LTD.), must be continually aware of the risks associated with violating sales agent regulations and subcontractor risks under the Antimonopoly Act. As such, we hold regular education activities through a variety of means to keep this risk in the forefront of the minds of our employees.

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

2. Education Activities (2012–)

<table>
<thead>
<tr>
<th>Implementation</th>
<th>Targets</th>
<th>Content/Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2012</td>
<td>NAGASE &amp; CO., LTD.</td>
<td>Sales personnel (including managers and sales staff)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Company training on Conflicts, Cartels, and the Subcontract Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in each Tokyo, Osaka, Nagoya</td>
</tr>
<tr>
<td>October 2012</td>
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<td>Sales person</td>
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<td></td>
<td></td>
<td>Seminar on business risks related to the Antimonopoly Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in Tokyo and Osaka</td>
</tr>
<tr>
<td>November 2012</td>
<td>Hayashiwa Co., Ltd.</td>
<td>Mainly for purchasing agents and sales personnel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seminar on business risks related to the Subcontract Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in Tokyo and Osaka</td>
</tr>
<tr>
<td>February 2013</td>
<td>NAGASE &amp; CO., LTD.</td>
<td>Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seminar on the Antimonopoly Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Delivered by in-house attorney</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31 attendance</td>
</tr>
<tr>
<td>July 2013</td>
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<td>Office</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seminar on business risks related to the Antimonopoly Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in Tokyo and Osaka</td>
</tr>
<tr>
<td></td>
<td></td>
<td>77 attendance</td>
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<tr>
<td></td>
<td></td>
<td>Subcontract Act 5-man training</td>
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<tr>
<td></td>
<td></td>
<td>NAGASE &amp; CO., LTD. and affiliated company participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>87 attendance</td>
</tr>
<tr>
<td>November 2013</td>
<td>Hayashiwa Co., Ltd.</td>
<td>Mainly for purchasing agents and sales personnel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Seminar on business risks related to the Subcontract Act</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in Tokyo and Osaka</td>
</tr>
<tr>
<td>April 2014</td>
<td>NAGASE &amp; CO., LTD.</td>
<td>New employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Training for new hires related to import export regulations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in each Osaka and Tokyo</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9 crews attended</td>
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<tr>
<td>June–July 2015</td>
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<td>Certain affiliated companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global trends in bribery prevention (Global Foreign Corrupt Practices Act (U.S.), Bribery Act (UK), and Bribery Prevention Provisions Act (Japan), given by outside expert attorney</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held twice in Tokyo, Osaka, Nagoya</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31 attendance</td>
</tr>
<tr>
<td>February 2016</td>
<td>NAGASE &amp; CO., LTD.</td>
<td>Certain affiliated companies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Compliance seminars conducted by in-house experts</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Held once in Tokyo and Osaka</td>
</tr>
</tbody>
</table>

1. Fair Business Practice Initiatives

The NAGASE Group accelerates business globalization, the volume of off-shore transactions it engages in, as well as exports to and imports from China, Asia, and other rapidly growing regions, is increasing. Transactions with suppliers in emerging countries measure be put in place to prevent quality management and other issues that may arise due to legal and regulatory differences between Japan and the countries in question. Therefore, NAGASE & CO., LTD. recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management.

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

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

As NAGASE changes business models from sales agent to manufacturing/processing and manufacturer investment, we will increasingly be called upon to assume responsibility for quality assurance. To assist in this business, the company established the Quality Assurance Support Team within the Intellectual Property Office in December 2010. Quality Assurance Support manages vendors and contract manufacturers, supporting Group manufacturing companies and conducting internal training.

2. Specific Measures Taken for Individual Risks

● Product Safety and Quality Control

As the NAGASE Group accelerates business globalization, the volume of off-shore transactions it engages in, as well as exports to and imports from China, Asia, and other rapidly growing regions, is increasing. Transactions with suppliers in emerging countries measure be put in place to prevent quality management and other issues that may arise due to legal and regulatory differences between Japan and the countries in question. Therefore, NAGASE & CO., LTD. recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management.

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● Security Trade Controls

As a trading company specializing in technology and information and which also carries out business activities in harmony with chemical products and precision equipment companies, 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 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

3. Specific Measures Taken for Individual Risks

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Meetings of the Security Trade Control Committee and the Item Compliance Management Council are held as deemed appropriate. At these meetings, the Security Trade Control Committee works to understand the export control situation, the latest revisions to the Foreign Exchange and Foreign Trade Control Law and to ascertain a detailed picture of export controls across the entire Group while formulating related Group policies. The Item Compliance Management Council is in charge of directing and educating each business division and Group company in matters and statute updates determined by the Security Trade Control Committee. It is the responsibility of the Item Compliance Management Committee to protect the Company and affiliates against the risk of illegal acts with respect to export controls.

Specific Management Framework

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

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

Efforts to Promote Personnel Development

Every year, the practical business of security trade controls becomes even more complex. To keep pace with developments, the NAGASE Group encourages employees—primarily those involved in export operations—to become Security Trade Control (STC) Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC). As of March 2016, NAGASE had 103 qualified STC Associates in 22 Group companies. We continue to strive to foster personnel with a high level of knowledge and expertise.

Aiming to Raise Awareness of Security Trade Controls

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

● Regulatory Compliance in Products

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

Framework for Compliance with Product Laws and Regulations

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

We are members of the Japan Chemical Industry Association, the Japanese 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-Commission (JAMP) and by using specialized tools for products containing chemical substances, such as MSDSplus and AIB.
Critical Initiatives for Sustainable Growth

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

Food Ingredients

- Basic Approach to Quality Management for Food Safety

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

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

- Specific Quality Management Initiatives

Our research and development pursues herb sciences and technology, selecting materials from a variety of plants, seeking out those that combine safety and functionality. The plant materials coming out of our research are used as the raw materials of end products, which are in turn subject to strict quality management systems in connection with the production process. At the same time, our designs incorporate considerations for ease of use, ease of reading, and ease of understanding to respond to the shift in age demographics. If customers have any questions about their purchases, they can contact the Nagase Beauty Care after-sales support (support office).

This support office is staffed with experienced beauty instructors and professionals who work directly with customers. We have received support from this office in raising the quality of our products and services in response to customer feedback.

Cosmetics

- Specific Approach

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

- Specific Initiatives

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For Consumer Safety and Value

For more information about our quality management system, please visit the corporate website.

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Financial Foundation Supporting Business Growth

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

Representative Director and Managing Executive Officer
Mitsuro Naba

Basic Policy

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

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

Capital Procurement

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

Return of Profits to Shareholders

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

Cash flows

<table>
<thead>
<tr>
<th>Cash flows (millions of yen)</th>
<th>Net cash provided by (used in) operating activities</th>
<th>Net cash provided by (used in) investing activities</th>
<th>Free-cash-flow</th>
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</thead>
<tbody>
<tr>
<td>15/3</td>
<td>5,690</td>
<td>18,376</td>
<td>29,736</td>
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<tr>
<td>14/3</td>
<td>9,047</td>
<td>12,721</td>
<td>0</td>
</tr>
<tr>
<td>13/3</td>
<td>(1,450)</td>
<td>(7,732)</td>
<td></td>
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<tr>
<td>12/3</td>
<td>(75,376)</td>
<td>(81,066)</td>
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</table>

Equity/Interest-bearing debt/Net worth ratio

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<thead>
<tr>
<th>Equity/Interest-bearing debt/Net worth ratio (%)</th>
<th>Equity (left)</th>
<th>Interest-bearing debt (left)</th>
<th>Net worth ratio (right)</th>
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<tr>
<td>15/3</td>
<td>45.4</td>
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</tr>
<tr>
<td>12/3</td>
<td>92,628</td>
<td>98,493</td>
<td>45.0</td>
</tr>
</tbody>
</table>

Target ROE

Goal to achieve ROE/Pre-tax ROIC

<table>
<thead>
<tr>
<th>ROE/Pre-tax ROIC</th>
<th>Invested Capital Turn Over Ratio (Time)</th>
<th>Invested Capital Turn Over Ratio</th>
<th>Invested Capital Turn Over Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.0%</td>
<td>6.0%</td>
<td>3.1%</td>
<td>2.1%</td>
</tr>
<tr>
<td>4.4%</td>
<td>6.0%</td>
<td>2.1%</td>
<td>2.1 times</td>
</tr>
</tbody>
</table>

Pre-tax ROIC = Pre-tax Profit ÷ (Equity + Interest-bearing debt)

Pre-tax Profit = Sales Amount × × Sales Turn Over Ratio

ROIC = Pre-tax Profit ÷ Sales Turn Over Ratio × × Sales Turn Over Ratio

Pre-tax Profit Ratio

Invested Capital Turn Over Ratio

Goal to achieve ROE/Pre-tax ROIC

Improve 1 point 2.1 times~2.2 times
Six-Year Summary

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

Overview of Results

Net sales

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

In this environment, the Company recorded domestic sales of ¥512.08 billion for the consolidated fiscal year, which represented a 0.7% decrease from the prior fiscal year. Gross profit attributable to owners of the parent amounted to ¥363.03 billion for the consolidated fiscal year, which represented a 19.8% decrease compared to the prior fiscal year.

Management's Discussion and Analysis of Operations and Finances

Business Lines and Scope of Consolidation

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

As of the Fiscal Year-End:

Total Assets ¥375,336 ¥450,842 ¥486,747 ¥498,141 ¥546,525
Interest-Bearing Debt 27,125 88,710 98,425 92,828 98,493
Net Assets 209,316 212,744 237,806 251,892 287,500

The Company recorded income before income taxes and non-controlling interests of ¥18.02 billion (0.7% decrease) as a result of general economic conditions. Operating income amounted to ¥18.02 billion (0.7% decrease). As a result, gross profit ratio rose 0.3 points compared to the prior fiscal year, up to 12.4%, while operating margins remained level with the prior year at 24.4%.

Ordinary income amounted to ¥18.89 billion (9.7% decrease), a year-on-year decline mainly due to a loss in equity affiliates and a downturn in foreign exchange gains. The ratio of ordinary income to net sales fell 0.2 points to 2.3%.

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

Overview of Results

Net sales

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

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Results by Business Segment

Functional Materials

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥1,052,318</td>
<td>¥135,149</td>
<td>¥3,182</td>
<td>¥3,679</td>
</tr>
</tbody>
</table>


Goodwill: ¥2,214, Investments in Equity Affiliates: ¥2,214, Increase in Property, Plant, and Equipment and Intangible Fixed Assets: ¥2,197, 1,752.

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

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

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

As a result, the segment recorded net sales of ¥157,14 billion, representing a ¥176,98 billion (66.6%) decrease year on year. Operating income amounted to ¥127,926 billion, representing a ¥127,926 billion (66.6%) decrease. This decrease was mainly due to transfers and facilities expansions at subsidiary companies.

Advanced Materials & Processing

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥254,165</td>
<td>¥25,505</td>
<td>¥4,924</td>
<td>¥4,979</td>
</tr>
</tbody>
</table>


Goodwill: ¥132, Investments in Equity Affiliates: ¥2,289, Increase in Property, Plant, and Equipment and Intangible Fixed Assets: ¥1,192, 1,466.

As a result, segment net sales amounted to ¥127,926 billion, representing a ¥127,926 billion (66.6%) decrease. This result was mainly due to the impact of the Company’s Taiwanese subsidiary recording an allowance for doubtful accounts during the prior fiscal year.

Electronics

<table>
<thead>
<tr>
<th>Business</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥1,095,851</td>
<td>¥115,351</td>
<td>¥2,229</td>
<td>¥3,300</td>
</tr>
</tbody>
</table>


Goodwill: ¥5,720, Investments in Equity Affiliates: ¥2,341, Increase in Property, Plant, and Equipment and Intangible Fixed Assets: ¥2,341, 1,957.

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

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

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

As a result, the segment recorded net sales of ¥127,926 billion, representing a ¥127,926 billion (14.9%) decrease. This decrease was mainly due to transfers and facilities expansions at subsidiary companies.

Automotive & Energy

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥255,591</td>
<td>¥22,418</td>
<td>¥3,698</td>
<td>¥4,357</td>
</tr>
</tbody>
</table>


Depreciation and Amortization: ¥4,357, Amortization of Goodwill: ¥4,357.

Goodwill: ¥8,968, Investments in Equity Affiliates: ¥2,855, Increase in Property, Plant, and Equipment and Intangible Fixed Assets: ¥2,855, 1,968.

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

As a result, net sales for the segment amounted to ¥255.5 billion, a ¥1.33 billion (0.5%) increase. Operating income increased ¥170 million (3.7%), reaching ¥9.86 billion for the period.

Net sales for the Company’s automobile-related business were level with the same period in the prior fiscal year. While domestic sales were affected by lower automotive production, sales of products for certain car models rose over the period. Overseas, the business saw strong sales in the Americas, China, and Southeast Asia, driving sales higher. As a result, segment net sales amounted to ¥115.35 billion, a ¥9.5 billion (8.0%) increase. Operating income was ¥13.3 billion, representing a ¥350 million (14.1%) decrease.

Life & Healthcare

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥76,609</td>
<td>¥85,571</td>
<td>¥766</td>
<td>¥766</td>
</tr>
</tbody>
</table>


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

The Life & Healthcare business sold medical products, which includes sales of medical food products to the same skin care and toiletries markets. In the pharmaceutical and medical fields, sales of raw pharmaceuticals, intermediates, and medical materials rose slightly. As a result, the business reported higher overall net sales.

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

As a result, segment net sales amounted to ¥85.57 billion, which was an ¥8.96 billion (11.7%) increase. Operating income increased ¥700 million (22.4%), reaching ¥13.86 billion.

Other

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales (Millions of yen)</th>
<th>Segment Income</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>¥680 million</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Segment Assets: N/A, Segment Income: N/A, Segment Income: N/A.

Depreciation and Amortization: N/A, Amortization of Goodwill: N/A.

Goodwill: N/A, Investments in Equity Affiliates: N/A, Increase in Property, Plant, and Equipment and Intangible Fixed Assets: N/A, 0.

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

Management’s Discussion and Analysis of Operations and Finances

Financial Condition

(Summary of Consolidated Cash Flows)

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

Cash Flows from Operating Activities

Cash flows from operating activities for the consolidated fiscal year amounted to ¥29.57 billion. This result was mainly due to income before income taxes and non-controlling interests of ¥15.23 billion and depreciation and amortization of ¥9.49 billion, offsetting ¥4.54 billion in income tax payments.

Cash Flows from Investing Activities

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

Cash Flows from Financing Activities

Cash used in financing activities for the consolidated fiscal year amounted to ¥12.82 billion. This result is mainly due to ¥4.44 billion in repayments of long-term loans and ¥8.39 billion in dividend payments.

Cash Flow Summary

<table>
<thead>
<tr>
<th>Fiscal years ended March 31</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows from Operating Activities</td>
<td>¥6,690</td>
<td>¥18,576</td>
<td>¥12,721</td>
<td>¥15,474</td>
<td>¥18,576</td>
</tr>
<tr>
<td>Cash Flows from Investing Activities</td>
<td>(81,956)</td>
<td>(9,258)</td>
<td>(14,713)</td>
<td>(7,772)</td>
<td>(12,600)</td>
</tr>
<tr>
<td>Cash Flows from Financing Activities</td>
<td>56,901</td>
<td>1,164</td>
<td>(1,833)</td>
<td>(3,205)</td>
<td>(12,822)</td>
</tr>
</tbody>
</table>
Management’s Discussion and Analysis of Operations and Finances

Summary of Consolidated Balance Sheets

- **Assets**
  - Total assets decreased by ¥34.44 billion compared to the end of the prior fiscal year, amounting to ¥512.88 billion. Current assets amounted to ¥312.31 billion compared to the end of the prior consolidated fiscal year, mainly due to decreases in accounts receivable and inventories.
  - Non-current assets amounted to ¥199.74 billion, down ¥16.93 billion. This was due mainly to a fair value decline in investments in securities.

- **Liabilities**
  - Liabilities amounted to ¥232.93 billion, down ¥26.09 billion compared to the end of the prior fiscal year, amounting to ¥161.45 billion. At the end of the year, liabilities amounted to ¥156.11 billion. This decrease was mainly due to decreases in accounts payable and other current liabilities (non-current).
  - Current liabilities decreased ¥20.3 billion compared to the end of the prior fiscal year, amounting to ¥171.48 billion. This decrease was mainly due to decreases in short-term loans and current portions of bonds.
  - Long-term liabilities decreased ¥5.78 billion to ¥76.81 billion. This decrease was mainly due to decreases in long-term loans and deferred tax liabilities.

- **Net Assets**
  - Net assets amounted to ¥279.14 billion, down ¥8.35 billion. This was mainly due to decreases in net unrealized holding gains on securities and translation adjustments, despite the Company recording profit attributable to owners of the parent in the amount of ¥12.31 billion.
  - As a result, the Company reported a shareholders’ equity ratio of 53.5%, up 2.0 points compared to the end of the prior consolidated fiscal year.

Capital Investment

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

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

- **Research Costs**
  - To leverage the total capacity of the Group and create new business opportunities, the NAGASE Group engages in research activities designed for marketing-driven development of new technologies and products, as well as to gather and share technological information.
  - The NAGASE R&D Center works to advance foundational technology development and propose new avenues of research in NAGASE Group bio-related technologies. In addition, the center produces lifestyle-oriented products, with the Center’s expertise in enzyme engineering, fermentation engineering, bioprocess engineering, and bioinformatics. With these technologies, the Center references the latest technologies developed at universities and other outside research institutes, coordinating with Nagase ChemteX, Hayashibara, and other NAGASE Group companies to develop eco-friendly chemicals utilizing bio processes. In so doing, the Center plays an important role in helping create a welcoming society in which people can live in peace and safety. At present, the Center is pursuing research across a wide range of disciplines, including the development of new enzymes, non-natural amino acids, and anti-aging substances, as well as research applications for use in cosmetics and health foods incorporating natural extracts. The Center has applied for numerous patents in these and peripheral fields. In this way, the NAGASE R&D Center accomplishes its mission to develop foundational biotechnologies that usher in the future of the NAGASE Group, while developing products through the utilization of biotechnology.

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

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

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

Research Costs

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

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

Outlook for the Year Ending March 31, 2017

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

In light of these expectations, we have forecast earnings of ¥735 billion in consolidated net sales (10% decrease year on year) with gross profit of ¥197.3 billion (10% decrease). We project operating income of ¥14.5 billion, a 19.6% decrease, mainly due to increases in sales, general and administrative expenses. As a result, we forecast ordinary income of ¥16 billion (13% decrease) and profit attributable to owners of the parent of ¥9.5 billion (22.9% decrease).

Critical Initiatives for Sustainable Growth

- **Unique Products**
  - In light of these expectations, we have forecast earnings of ¥735 billion in consolidated net sales (10% decrease year on year) with gross profit of ¥197.3 billion (10% decrease). We project operating income of ¥14.5 billion, a 19.6% decrease, mainly due to increases in sales, general and administrative expenses. As a result, we forecast ordinary income of ¥16 billion (13% decrease) and profit attributable to owners of the parent of ¥9.5 billion (22.9% decrease).

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About the NAGASE Group

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Management’s Discussion and Analysis of Operations and Finances

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

<table>
<thead>
<tr>
<th>Year ending</th>
<th>Net sales</th>
<th>Operating income</th>
<th>Ordinary income</th>
<th>attributable to owners of the parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2017</td>
<td>¥35,000</td>
<td>¥14,500</td>
<td>¥16,000</td>
<td>¥ 9,580</td>
</tr>
<tr>
<td>March 31, 2016 (Actual)</td>
<td>742,194</td>
<td>18,024</td>
<td>18,390</td>
<td>12,316</td>
</tr>
<tr>
<td>Change</td>
<td>1.10%</td>
<td>19.60%</td>
<td>13.00%</td>
<td>52.50%</td>
</tr>
</tbody>
</table>

Profit Sharing Policy

■ Dividend Policy

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

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

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

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

Statements made in this document with respect to the NAGASE Group’s performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of May 6, 2016. Forecasts in connection with the Group’s future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ from projections.

Operating and Other Risks

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

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

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

(1) Overall Operating Risk

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

(2) Product Market Conditions

The NAGASE Group handles extensive petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Automotive & Energy segments. Raw materials market demandsupply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines. Also, the prices of products fluctuate in the same manner as the raw materials derived from these sources. Raw materials costs fluctuate widely due to changes in 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 contract exchange hedges for these transactions to minimize exchange rate risk to the greatest extent possible, currency exchange rate fluctuations could have a significant impact on Group earnings and financial conditions. The NAGASE Group owns foreign domiciled corporations whose financial statements are prepared using local currencies. The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

(4) Impact of Fluctuations in Interest Rates

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

(5) Risks Involved in Operating Overseas

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

(6) Impact of Changes in Stock Prices

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

(7) Counterparty Credit Risk

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

(8) Risk of Investments

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

(9) Risk of Asset Impairment

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

(10) Product Quality Risk

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

(11) Risks related to Product Laws

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

(12) Risks of Natural Disasters

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

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2016 and 2015)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2016</th>
<th>2015</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Notes 14 and 20)</td>
<td>¥ 43,283</td>
<td>¥ 40,575</td>
<td>$ 386,123</td>
</tr>
<tr>
<td>Notes and accounts receivable (Note 14)</td>
<td>196,335</td>
<td>208,209</td>
<td>1,742,412</td>
</tr>
<tr>
<td>Inventories (Note 5)</td>
<td>62,920</td>
<td>69,013</td>
<td>558,395</td>
</tr>
<tr>
<td>Deferred tax assets (Note 11)</td>
<td>2,842</td>
<td>4,058</td>
<td>25,222</td>
</tr>
<tr>
<td>Other current assets</td>
<td>7,843</td>
<td>8,797</td>
<td>69,604</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>890</td>
<td>806</td>
<td>7,988</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>312,334</td>
<td>329,848</td>
<td>2,771,867</td>
</tr>
</tbody>
</table>

Property, plant and equipment, at cost (Note 6):

- Land: 18,910
- Buildings and structures: 55,731
- Machinery, equipment and vehicles: 83,243
- Leased assets: 503
- Construction in progress: 1,876
- Less accumulated depreciation: 160,265
- Property, plant and equipment, net (Note 21): 66,474

**Investments and other assets:**

- Investments in securities (Notes 7 and 14): 9,498
- Unconsolidated subsidiaries and affiliates: 71,847
- Long-term loans receivable: 81,345
- Goodwill (Notes 6 and 21): 24,582
- Technology-based assets: 15,366
- Deferred tax assets (Note 11): 1,544
- Other assets (Note 6): 9,584
- Less allowance for doubtful accounts: 174

**Total investments and other assets:** 133,272

**LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2016</th>
<th>2015</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable (Note 14)</td>
<td>¥ 97,800</td>
<td>¥ 105,737</td>
<td>$ 867,945</td>
</tr>
<tr>
<td>Short-term loans (Notes 8 and 14)</td>
<td>25,294</td>
<td>31,388</td>
<td>224,476</td>
</tr>
<tr>
<td>Current portion of long-term loans and finance lease obligations (Notes 8 and 14)</td>
<td>8,895</td>
<td>6,453</td>
<td>78,940</td>
</tr>
<tr>
<td>Current portion of bonds (Notes 8 and 14)</td>
<td>—</td>
<td>10,000</td>
<td>—</td>
</tr>
<tr>
<td>Accrued income taxes (Note 11)</td>
<td>4,305</td>
<td>2,266</td>
<td>38,206</td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 11)</td>
<td>13</td>
<td>19</td>
<td>115</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,551</td>
<td>4,009</td>
<td>31,514</td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>4,224</td>
<td>4,314</td>
<td>37,487</td>
</tr>
<tr>
<td>Accrued bonuses for directors</td>
<td>194</td>
<td>213</td>
<td>1,722</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>11,838</td>
<td>12,019</td>
<td>105,059</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>156,118</td>
<td>176,424</td>
<td>1,385,499</td>
</tr>
</tbody>
</table>

Long-term liabilities:

- Bonds (Notes 8 and 14): 23,370
- Long-term loans and finance lease obligations (Notes 8 and 14): 10,207
- Deferred tax liabilities (Note 11): 8,433
- Liability for retirement benefits (Note 10): 14,060
- Other long-term liabilities: 949

**Total long-term liabilities** 37,630

**Net assets:**

- Authorized—346,980,000 shares
- Par value—¥10
- Issued—127,408,285 shares in 2016 and 2015
- Authorized—346,980,000 shares

**Accumulated other comprehensive income:**

- Translation adjustments: 4,411
- Translation adjustments: 9,478
- Retirement benefit liability adjustments (Note 10): (2,169)

**Total accumulated other comprehensive income:** 39,305

**Retained earnings (Note 22):**

- Issued—127,408,285 shares in 2016 and 2015
- Authorized—346,980,000 shares
- Par value—¥10
- Issued—127,408,285 shares in 2016 and 2015
- Authorized—346,980,000 shares

**Capital surplus:**

- Authorized—346,980,000 shares
- Issued—127,408,285 shares in 2016 and 2015
- Authorized—346,980,000 shares

**Treasury stock, at cost (Note 13):**

- 213,572 shares in 2015

**Total shareholders’ equity** 2,771,867

**Non-controlling interests:**

- 5,185

**Total liabilities and net assets:** 2,771,867

---

See notes to consolidated financial statements.
Consolidated Statement of Income
Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

Millions of yen

2016 2015

Net sales (Note 2) ¥742,194 ¥759,713
Cost of sales 650,530 667,722
Gross profit 91,663 91,991
Selling, general and administrative expenses (Note 16) 73,639 73,838
Operating income (Note 21) 18,024 18,153
Other income (expenses):
Interest and dividend income 1,562 1,456
Interest expense (1,048) (1,098)
Equity in earnings of affiliates — 616
Equity in losses of affiliates (48) —
Gain on sales of investments in securities (Note 7) 70 213
Gain on sales of shares of an affiliate 33 —
Loss on sales of investments in capital — (520)
Loss on sales of shares of subsidiaries and affiliates — (2,496)
Loss on sales of investments in capital of subsidiaries and affiliates — (171)
Loss on disposal of investments in securities (70) (479)
Gain on sales of property, plant and equipment 57 392
Loss on sales of property, plant and equipment (47) (659)
Loss on disposal of property, plant and equipment (251) (84)
Loss on impairment of fixed assets (Notes 6 and 21) (2,756) (602)
Loss on transfer of business — (114)
Loss on withdrawal from employees’ pension funds — (163)
Other, net (287) 1,212
Profit before income taxes 15,239 18,099

Thousands of U.S. dollars (Note 1)

2016 2015

Net sales (Note 2) $109,301 $110,632
Cost of sales 91,991 91,991
Gross profit 7,309 7,642
Selling, general and administrative expenses (Note 16) 11,916 11,918
Operating income (Note 21) 5,436 5,183
Other income (expenses):
Interest and dividend income 1,367 1,367
Interest expense (9,301) (9,301)
Equity in earnings of affiliates — —
Equity in losses of affiliates (103) —
Gain on sales of investments in securities (Note 7) 57 79
Gain on sales of shares of an affiliate 252 —
Loss on sales of investments in capital — (195)
Loss on sales of shares of subsidiaries and affiliates — (619)
Loss on sales of investments in capital of subsidiaries and affiliates — (171)
Loss on disposal of investments in securities (70) (479)
Gain on sales of property, plant and equipment 83 807
Loss on sales of property, plant and equipment (47) (659)
Loss on disposal of property, plant and equipment (468) (2,217)
Loss on impairment of fixed assets (Notes 6 and 21) (2,964) (602)
Loss on transfer of business — (114)
Loss on withdrawal from employees’ pension funds — (163)
Other, net (731) 4,066
Profit before income taxes $86,076 $103,426

Consolidated Statement of Changes in Net Assets
Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

Millions of yen

2016 2015

Profit attributable to owners of parent 11,318 11,318
Profit attributable to non-controlling interests (1,331) (9)
Profit attributable to non-controlling interests 10,987 11,319
Other changes (80) —
Profit attributable to owners of parent 11,318 11,319
Balance at March 31, 2016 $86,076 $103,426

Consolidated Statement of Comprehensive Income
Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2016 and 2015)

Millions of yen

2016 2015

Profit 12,466 11,318
Other comprehensive (loss) income (Note 9):
Net unrealized holding (loss) gain on securities (7,884) 20,189
Deferred (gain) loss on hedges 19 (3)
Translation adjustments (5,055) 7,399
Retirement benefit liability adjustments (2,833) 285
Share of other comprehensive (loss) income of affiliates accounted for by the equity method (553) 720
Comprehensive (loss) income (3,345) (144,764)

Thousands of U.S. dollars (Note 1)

2016 2015

Profit 135,241 159,957
Other comprehensive (loss) income (Note 9):
Net unrealized holding (loss) gain on securities (109,301) (3,541)
Deferred (gain) loss on hedges (1,367) (3,412)
Translation adjustments (3,550) 505
Retirement benefit liability adjustments (2,963) (3,185)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method (731) 4,066
Comprehensive (loss) income (97,212) (144,764)
1. BASIS OF PREPARATION

The accompanying consolidated financial statements of NAGASE & CO., LTD. and consolidated subsidiaries are prepared in 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 reorganizations have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

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

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

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

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on such 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 recognized or credited to income in the period in which such gain or loss is recognized for financial reporting purposes.

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

(c) Cash and Cash Equivalents

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

(d) Inventories

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

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at 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 tax, reported as a separate component of accumulated other comprehensive income or loss.

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

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

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of the principal assets are as follows: Buildings (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)

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years. Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

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

Annual Report 2016

NAGASE CO., LTD. Annual Report 2016
3. CHANGE IN METHOD OF ACCOUNTING

Accounting Standard for Business Combinations

The Company adopted the provisions of Paragraph 39 of “Revised Accounting Standard for Consolidated Financial Statements” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 22, issued on September 13, 2013). Accordingly, the presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests.” Certain reclassifications were made to the previous year’s consolidated financial statements to reflect this change in presentation.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE


(1) Overview

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

1) Treatment of companies that do not satisfy any of the category requirements for (Category 1) through (Category 5)

2) Category requirements for (Category 2) and (Category 3)

3) Treatment related to future deductible temporary differences

5. INVENTORIES

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

6. LOSS ON IMPAIRMENT OF FIXED ASSETS

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

<table>
<thead>
<tr>
<th>Major use</th>
<th>Classification</th>
<th>Area</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-use assets for manufacturing and selling of industrial adhesives and other</td>
<td>Goodwill</td>
<td>Ohio, U.S.A</td>
<td>¥1,364</td>
<td>$12,105</td>
</tr>
<tr>
<td>Business-use assets for manufacturing and selling of color formers</td>
<td>Buildings and structures, machinery, equipment and vehicles</td>
<td>Tennessee, U.S.A</td>
<td>500</td>
<td>4,437</td>
</tr>
<tr>
<td>Business-use assets for processing of thin glass panels</td>
<td>Buildings and structures, machinery, equipment and vehicles</td>
<td>Fujian, China</td>
<td>440</td>
<td>3,905</td>
</tr>
<tr>
<td>Business-use assets for processing and selling of plastic materials</td>
<td>Buildings and structures, machinery, equipment and vehicles, intangible assets included in other assets</td>
<td>Kinki</td>
<td>304</td>
<td>2,698</td>
</tr>
<tr>
<td>Business-use assets for manufacturing and selling of rechargeable battery systems</td>
<td>Buildings and structures, construction in progress, intangible assets included in other assets</td>
<td>Tokai</td>
<td>36</td>
<td>319</td>
</tr>
<tr>
<td>Business-use assets for semiconductors and display devices</td>
<td>Machinery, equipment and vehicles, intangible assets in other assets</td>
<td>Kanto</td>
<td>19</td>
<td>169</td>
</tr>
<tr>
<td>Idle assets</td>
<td>Land, buildings and structures, machinery, equipment and vehicles</td>
<td>Kinki and other</td>
<td>91</td>
<td>808</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>****</td>
<td>****</td>
<td><strong>¥2,756</strong></td>
<td><strong>$24,459</strong></td>
</tr>
</tbody>
</table>
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 business use principally based on its business management segment. The Company and its consolidated subsidiaries group fixed assets for business use mainly for developing, manufacturing and selling activities. Common types of fixed assets include machinery, equipment and vehicles, construction in progress, intangible assets included in other assets, and buildings and structures.

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

Short-term loans at March 31, 2016 and 2015, principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 1.31% and 1.38% per annum, respectively. Long-term loans, bonds and finance lease obligations at March 31, 2016 and 2015 consisted of the following:

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

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions.

Notes to Consolidated Financial Statements

<table>
<thead>
<tr>
<th>Major use</th>
<th>Classification</th>
<th>Area</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-use assets for manufacturing and selling of rechargeable battery systems</td>
<td>Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets</td>
<td>Tokai</td>
<td>¥78</td>
</tr>
<tr>
<td>Business-use assets for manufacturing of polymer products</td>
<td>Buildings and structures, machinery, equipment and vehicles, intangible assets included in other assets</td>
<td>Jiangsu, China</td>
<td>74</td>
</tr>
<tr>
<td>Business-use assets for semiconductors and display devices</td>
<td>Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets</td>
<td>Chugoku</td>
<td>273</td>
</tr>
<tr>
<td>Idle assets</td>
<td>Land, buildings and structures</td>
<td>Kanto</td>
<td>176</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>¥902</td>
</tr>
</tbody>
</table>

7. INVESTMENTS IN SECURITIES

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying value</td>
</tr>
<tr>
<td>Securities whose carrying value exceeds their acquisition costs:</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥69,183</td>
</tr>
<tr>
<td>Securities whose carrying value does not exceed their acquisition costs:</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>518</td>
</tr>
<tr>
<td>Total</td>
<td>¥69,702</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying value</td>
</tr>
<tr>
<td>Market value not determinable</td>
<td></td>
</tr>
<tr>
<td>Unlisted equity securities</td>
<td>¥2,144</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,144</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proceeds from sales</td>
</tr>
<tr>
<td>2016</td>
<td>¥163</td>
</tr>
<tr>
<td>2015</td>
<td>¥2,456</td>
</tr>
</tbody>
</table>

Unsecured bonds primarily from banks and insurance companies, payable in Yen, U.S. dollars, Euro, and RMB, due through 2023, at rates from 0.54% to 2.60%.

Unsecured bonds in Yen, due 2015, at a rate of 0.306%.

Unsecured bonds in Yen, due 2019, at a rate of 0.731%.

Unsecured bonds in Yen, due 2022, at a rate of 0.539%. Lease obligations

Proceeds from sales

Gain on sales

Loss on sales

The status of these lines of credit at March 31, 2016 and 2015 is as follows:

Unsecured loans primarily from banks and insurance companies, payable in Yen, U.S. dollars, Euro, and RMB, due through 2023, at rates from 0.54% to 2.60%.

Unsecured bonds in Yen, due 2015, at a rate of 0.306%.

Unsecured bonds in Yen, due 2017, at a rate of 0.442%.

Unsecured bonds in Yen, due 2019, at a rate of 0.731%.

Unsecured bonds in Yen, due 2022, at a rate of 0.539%.

Lease obligations

Less current portion

Total

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

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

<table>
<thead>
<tr>
<th>Component</th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>Tax effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net unrealized holding (loss) gain on investments in securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>(12,678)</td>
<td>(11,513)</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(49)</td>
<td>(43)</td>
<td></td>
</tr>
<tr>
<td>Amount before tax-effect</td>
<td>4,834</td>
<td>4,290</td>
<td></td>
</tr>
<tr>
<td>Tax-effect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred (loss) gain on investments in securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>(16)</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(3)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Amount before tax-effect</td>
<td>(19)</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>Tax-effect</td>
<td>6</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Deferral (loss) gain on hedges</td>
<td>(13)</td>
<td>3</td>
<td>(115)</td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>(5,021)</td>
<td>(4,460)</td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>7,280</td>
<td>7,494</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(5,021)</td>
<td>(4,460)</td>
<td></td>
</tr>
<tr>
<td>Amount before tax-effect</td>
<td>(390)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Translation adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefit liability adjustments</td>
<td>(2,835)</td>
<td>285</td>
<td>(25,160)</td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>(1,733)</td>
<td>847</td>
<td>(28,159)</td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses realized in the statement of income</td>
<td>(957)</td>
<td>(439)</td>
<td>(8,493)</td>
</tr>
<tr>
<td>Amount before tax-effect</td>
<td>(4,130)</td>
<td>408</td>
<td>(36,652)</td>
</tr>
<tr>
<td>Tax-effect</td>
<td>1,294</td>
<td>1,122</td>
<td>11,484</td>
</tr>
<tr>
<td>Retirement benefit liability adjustments</td>
<td>(2,835)</td>
<td>285</td>
<td>(25,160)</td>
</tr>
<tr>
<td>Share of other comprehensive (loss) income of affiliates accounted for by the equity method</td>
<td>(553)</td>
<td>720</td>
<td>(4,908)</td>
</tr>
<tr>
<td>Total other comprehensive (loss) income</td>
<td>(16,312)</td>
<td>(8,128)</td>
<td>(144,764)</td>
</tr>
</tbody>
</table>

10. RETIREMENT BENEFIT PLANS

(a) Outline of retirement benefit plans for employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans. The Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit plans

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

<table>
<thead>
<tr>
<th>Component</th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2016 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>¥29,613</td>
<td>¥28,014</td>
<td>¥32,993</td>
</tr>
<tr>
<td>Service cost</td>
<td>1,312</td>
<td>1,297</td>
<td>1,126</td>
</tr>
<tr>
<td>Interest cost</td>
<td>382</td>
<td>369</td>
<td>477</td>
</tr>
<tr>
<td>Actuarial differences</td>
<td>2,847</td>
<td>2,280</td>
<td>2,396</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>(1,126)</td>
<td>(1,280)</td>
<td>(993)</td>
</tr>
<tr>
<td>Changes in scope of consolidation</td>
<td></td>
<td>(306)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(36)</td>
<td>47</td>
<td>(139)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>¥32,993</td>
<td>¥29,613</td>
<td>¥32,993</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>74%</td>
<td>71%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Other</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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 statutory tax rates from the statutory tax rates for the following reasons:

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

<table>
<thead>
<tr>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.8%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

(c) Defined contribution pension plans

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Contributions to defined pension plans by the Company and its consolidated subsidiaries</td>
<td>¥279</td>
</tr>
</tbody>
</table>

11. INCOME TAXES

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

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rates</td>
<td>33.1%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>2.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Dividends and other income deductible for income tax purposes</td>
<td>(12.3)</td>
<td>(17.0)</td>
</tr>
<tr>
<td>Net adjustment resulting from elimination of dividend income upon consolidation</td>
<td>12.4</td>
<td>16.8</td>
</tr>
<tr>
<td>Different tax rates applied at overseas subsidiaries</td>
<td>(5.9)</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Tax credit</td>
<td>(2.5)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>3.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Loss on impairment of goodwill</td>
<td>3.0</td>
<td>—</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(1.3)</td>
<td>1.8</td>
</tr>
<tr>
<td>Decrease in deferred tax assets resulting from change in statutory tax rate</td>
<td>2.9</td>
<td>2.7</td>
</tr>
<tr>
<td>Decrease in tax expenses resulting from application of consolidated taxation system</td>
<td>(18.3)</td>
<td>(27.2)</td>
</tr>
<tr>
<td>Other, net</td>
<td>1.2</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Effective tax rates</td>
<td>18.2%</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Deferred tax assets:</td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>¥1,141</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>290</td>
</tr>
<tr>
<td>Unrealized gain on inventories</td>
<td>561</td>
</tr>
<tr>
<td>Accrued enterprise taxes</td>
<td>379</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>3,044</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>4,343</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>1,040</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>1,038</td>
</tr>
<tr>
<td>Tax goodwill</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>2,585</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>¥19,469</td>
</tr>
</tbody>
</table>

Deferred tax liabilities:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Technology-based assets</td>
<td>¥(4,687)</td>
</tr>
<tr>
<td>Deferred capital gain on property</td>
<td>(1,410)</td>
</tr>
<tr>
<td>Reserve for special depreciation</td>
<td>(103)</td>
</tr>
<tr>
<td>Unrealized gain on inventories</td>
<td>(255)</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>(312)</td>
</tr>
<tr>
<td>Net unrealized gain on securities</td>
<td>(15,757)</td>
</tr>
<tr>
<td>Other</td>
<td>(1,002)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>$(23,529)</td>
</tr>
<tr>
<td>Net deferred tax liabilities</td>
<td>$(4,059)</td>
</tr>
</tbody>
</table>

The “Act for Partial Amendment of the Income Tax Act etc.” (Act No. 11 of 2016) and “Act for Partial Amendment of the Local Tax Act etc.” (Act No. 11 of 2016) were enacted during the Japanese Diet session on March 29, 2016. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities were reduced from 32.3% to 30.9% for temporary differences which are expected to be realized during the period from April 1, 2016 to March 31, 2018 and to 30.6% for those which are expected to be realized on or after April 1, 2018.

As a result of this change, deferred tax liabilities, net of deferred tax assets, decreased by ¥891 million ($8,481 thousand) and income taxes—deferred (debit) and accumulated other comprehensive income increased by ¥488 million ($4,599 thousand) and ¥830 million ($7,818 thousand), respectively, as of and for the year ended March 31, 2016.

12. SHAREHOLDERS’ EQUITY

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

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met. The Company’s capital reserve included in capital surplus at March 31, 2016 amounted to ¥9,634 million ($85,499 thousand).

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2015</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>127,408,285</td>
<td>—</td>
<td>—</td>
<td>127,408,285</td>
</tr>
</tbody>
</table>

The decrease in common 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.

13. TREASURY STOCK

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

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2015</th>
<th>Increase</th>
<th>Decrease</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock</td>
<td>376,363</td>
<td>937</td>
<td>—</td>
<td>377,300</td>
</tr>
</tbody>
</table>

The decrease in treasury stock consists of 937 shares resulting from the purchase of shares of less than one voting unit for the year ended March 31, 2015. The increase in treasury stock consists of 810 shares resulting from retirement of treasury stock by resolution of the Board of Directors and 78 shares resulting from the disposition of shares less than one voting unit for the year ended March 31, 2015.

14. FINANCIAL INSTRUMENTS

(a) Policy for Financial Instruments

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

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

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

In the cases of notes and accounts receivable or payable denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation. However, for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward exchange contracts are used solely for the netted position. Investments in securities are subject to market price fluctuation risk. However, these are mainly equity securities of other companies with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuers. The Group also reviews as needed the condition of its holdings with concern to the status of business and financial transactions.

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

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

(c) Fair Value of Financial Instruments

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying value</td>
<td>Fair value</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>¥43,283</td>
<td>¥43,283</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>196,335</td>
<td>196,335</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>69,702</td>
<td>69,702</td>
</tr>
<tr>
<td>Other securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥309,320</td>
<td>¥309,320</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>¥97,800</td>
<td>¥97,800</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>25,294</td>
<td>25,294</td>
</tr>
<tr>
<td>Current portion of long-term loans</td>
<td>8,823</td>
<td>8,823</td>
</tr>
<tr>
<td>Bonds</td>
<td>30,000</td>
<td>30,430</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>23,108</td>
<td>23,375</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥185,027</td>
<td>¥185,723</td>
</tr>
<tr>
<td>Derivatives (*)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not subject to hedge accounting</td>
<td>¥108</td>
<td>¥108</td>
</tr>
<tr>
<td>Subject to hedge accounting</td>
<td>¥3</td>
<td>¥3</td>
</tr>
<tr>
<td>Total derivative transactions</td>
<td>¥111</td>
<td>¥111</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying value</td>
<td>Fair value</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>¥40,573</td>
<td>¥40,573</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>208,209</td>
<td>208,209</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>82,124</td>
<td>82,124</td>
</tr>
<tr>
<td>Other securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>¥310,909</td>
<td>¥310,909</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>¥105,737</td>
<td>¥105,737</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>31,388</td>
<td>31,388</td>
</tr>
<tr>
<td>Current portion of long-term loans</td>
<td>10,000</td>
<td>10,002</td>
</tr>
<tr>
<td>Current portion of bonds</td>
<td>20,000</td>
<td>20,231</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>30,522</td>
<td>30,897</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>¥301,828</td>
<td>¥304,145</td>
</tr>
<tr>
<td>Derivatives (**)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not subject to hedge accounting</td>
<td>¥(186)</td>
<td>¥(186)</td>
</tr>
<tr>
<td>Subject to hedge accounting</td>
<td>¥3</td>
<td>¥3</td>
</tr>
<tr>
<td>Total derivative transactions</td>
<td>¥(183)</td>
<td>¥(183)</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

The fair value of notes and accounts payable is based on their present values discounted by the amount in parentheses representing a net liability position.

The calculation methods of fair values of financial instruments and derivatives are as follows:

**Cash and time deposits**

Their carrying value approximates the fair value.

**Notes and accounts payable**

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

**Investments in securities**

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

**Notes and accounts receivable**

The fair value of notes and accounts receivable is based on their present values discounted by the interest rate to be applied assuming new loans under similar conditions to existing loans. 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 principal and interest discounted by the interest rates, estimated reasonably, applicable to new loans under similar conditions.

**Derivatives**

Please refer to Note 15.

### 15. DERIVATIVES AND HEDGING ACTIVITIES

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Transaction</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
<th>Valuation gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreign currency forward exchange contracts</strong></td>
<td>Selling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>$ 5,629</td>
<td>$ —</td>
<td>$ 51</td>
<td>$ 51</td>
<td></td>
</tr>
<tr>
<td>Yen</td>
<td>1,520</td>
<td>(10)</td>
<td>(10)</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>656</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Rev</td>
<td>516</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>SGD</td>
<td>67</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>74</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 1,423</td>
<td>$ —</td>
<td>$ 54</td>
<td>$ 54</td>
<td></td>
</tr>
<tr>
<td><strong>Over-the-counter transactions</strong></td>
<td>Buying</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>$ 5,629</td>
<td>$ —</td>
<td>$ 51</td>
<td>$ 51</td>
<td></td>
</tr>
<tr>
<td>Yen</td>
<td>1,520</td>
<td>(10)</td>
<td>(10)</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td>Euro</td>
<td>656</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Rev</td>
<td>516</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>SGD</td>
<td>67</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>74</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 10,497</td>
<td>$ —</td>
<td>$ 106</td>
<td>$ 106</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Time deposits</th>
<th>Notes and accounts receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year and less than 5 years</td>
<td>$ 43,252</td>
</tr>
<tr>
<td>Over 1 year and less than 5 years</td>
<td>$ —</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 239,588</td>
</tr>
</tbody>
</table>

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

#### Over-the-counter transactions

<table>
<thead>
<tr>
<th>Classification</th>
<th>Transaction</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
<th>Valuation gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency forward exchange contracts:</td>
<td>Selling</td>
<td>U.S. dollars</td>
<td>$49,956</td>
<td>$453</td>
<td>$453</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yen</td>
<td>13,490</td>
<td>(89)</td>
<td>(89)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro</td>
<td>5,822</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RMB</td>
<td>4,579</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SGD</td>
<td>595</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>657</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td>Buying</td>
<td>U.S. dollars</td>
<td>12,629</td>
<td>479</td>
<td>479</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Yen</td>
<td>4,996</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro</td>
<td>382</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>18</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$93,158</td>
<td>$958</td>
<td>$958</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Method for hedge accounting</th>
<th>Transaction</th>
<th>Major hedged item</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
<th>Valuation gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferral hedge accounting</td>
<td>Selling</td>
<td>U.S. dollars</td>
<td>Accounts receivable</td>
<td>¥ 39</td>
<td>¥—</td>
<td>¥0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro</td>
<td>221</td>
<td>—</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>RMB</td>
<td>144</td>
<td>—</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buying</td>
<td>U.S. dollars</td>
<td>25</td>
<td>—</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro</td>
<td>146</td>
<td>—</td>
<td>(4)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>48</td>
<td>—</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>¥465</td>
<td>¥—</td>
<td>¥3</td>
<td></td>
</tr>
</tbody>
</table>

Allocation method for foreign currency forward exchange contracts (Note 26(i))

<table>
<thead>
<tr>
<th>Method for hedge accounting</th>
<th>Transaction</th>
<th>Major hedged item</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
<th>Valuation gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferral hedge accounting</td>
<td>Selling</td>
<td>U.S. dollars</td>
<td>Accounts receivable</td>
<td>115</td>
<td>—</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro</td>
<td>222</td>
<td>—</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>THB</td>
<td>177</td>
<td>—</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>319</td>
<td>—</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>¥4,162</td>
<td>¥—</td>
<td>¥27</td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

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

19. AMOUNTS PER SHARE

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

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

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

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

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

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

16. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 totaled ¥3,863 million ($44,913 thousand) and ¥4,904 million, respectively.

17. OPERATING LEASES

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

1. OPERATING LEASES

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 totaled ¥967 million ($8,582 thousand).
21. SEGMENT INFORMATION

(a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible, and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources and assesses their performance. Reflecting the respective positions of each business in the value chain, as well as identifying the most closely aligned industries, the Company defined five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (functioning within the corresponding industries).

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

The Functional Materials segment is engaged in the sales of materials for paints/inks, urethane materials, plastic materials, plastic additives, industrial oil solutions, surfactants, fluorochromes, encapsulant materials, silicone materials, and more to industries related to the paints/inks, urethane foam, organic synthesis, surfactants, and semiconductors. The Advanced Materials & Processing segment is engaged in the sales of dyestuffs, dyes, functional dyes, information printing products, thermoplastic resins, thermosetting resins, semiconductors, electronic components, heavy electrical, and other.

The Automotive & Energy segment is engaged in sales of plastics products, thermoplastic resins, thermosetting resins, plastics 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/chemicals and materials, research products, in vitro diagnostics, enzymes, food additives, additives for cosmetics, feed/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, and assets, and other items by reportable segments

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

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

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

<table>
<thead>
<tr>
<th>Functional Materials</th>
<th>Advanced Materials &amp; Processing</th>
<th>Electronics</th>
<th>Automotive &amp; Energy</th>
<th>Life &amp; Healthcare</th>
<th>Total</th>
<th>Others</th>
<th>Total</th>
<th>Corporate</th>
<th>Adjustments</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to customers</td>
<td>¥1,394,649</td>
<td>$1,394,649</td>
<td>$2,267,528</td>
<td>$1,135,304</td>
<td>$1,023,704</td>
<td>$6,580,627</td>
<td>$6,115</td>
<td>$6,586,741</td>
<td>—</td>
<td>$6,586,741</td>
</tr>
<tr>
<td>Intergroup sales and transfers</td>
<td>17,350</td>
<td>19,688</td>
<td>16,747</td>
<td>23,505</td>
<td>4,562</td>
<td>75,870</td>
<td>51,926</td>
<td>127,846</td>
<td>—</td>
<td>(127,846)</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥157,149</td>
<td>$141,207</td>
<td>$227,435</td>
<td>$155,304</td>
<td>$130,270</td>
<td>$759,431</td>
<td>$759,431</td>
<td>$759,431</td>
<td>—</td>
<td>$759,431</td>
</tr>
<tr>
<td>Segment income</td>
<td>¥150,039</td>
<td>$146,330</td>
<td>$223,032</td>
<td>$163,058</td>
<td>$127,983</td>
<td>$759,431</td>
<td>$759,431</td>
<td>$759,431</td>
<td>—</td>
<td>$759,431</td>
</tr>
<tr>
<td>Segment assets</td>
<td>¥71,042</td>
<td>$64,202</td>
<td>$102,912</td>
<td>$60,154</td>
<td>$59,623</td>
<td>$379,341</td>
<td>$379,341</td>
<td>$379,341</td>
<td>—</td>
<td>$379,341</td>
</tr>
</tbody>
</table>

Other items

Depreciation and amortization other than amortization of goodwill ¥4,617 $7,263 $23,713 $1,383 $28,914 $66,187 $1,846 $68,042 $16,205 $— $84,247
Amortization of goodwill...
Unamortized balance of goodwill...
Investment in affiliates accounted for by the equity method...
Increase in property, plant and equipment, net and intangible assets...

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

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2016 (Thousands of U.S. dollars)</th>
<th>2015 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥363,038</td>
<td>¥374,208</td>
<td>$3,221,849</td>
<td>$3,163,109</td>
</tr>
<tr>
<td>North-east Asia</td>
<td>221,197</td>
<td>217,232</td>
<td>1,963,055</td>
<td>1,898,005</td>
</tr>
<tr>
<td>South-east Asia</td>
<td>109,837</td>
<td>122,493</td>
<td>974,769</td>
<td>1,020,429</td>
</tr>
<tr>
<td>North America</td>
<td>30,684</td>
<td>29,995</td>
<td>272,311</td>
<td>263,708</td>
</tr>
<tr>
<td>Europe/Other</td>
<td>17,437</td>
<td>15,783</td>
<td>154,748</td>
<td>144,873</td>
</tr>
<tr>
<td>Total</td>
<td>¥742,194</td>
<td>¥759,713</td>
<td>$6,586,741</td>
<td>$6,388,217</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2016 (Thousands of U.S. dollars)</th>
<th>2015 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥59,646</td>
<td>¥58,897</td>
<td>$529,340</td>
<td>$520,930</td>
</tr>
<tr>
<td>Other</td>
<td>6,828</td>
<td>7,877</td>
<td>60,596</td>
<td>66,015</td>
</tr>
<tr>
<td>Total</td>
<td>¥66,474</td>
<td>¥66,774</td>
<td>$589,936</td>
<td>$586,945</td>
</tr>
</tbody>
</table>

(e) Information on loss on impairment of fixed assets per reportable segments
Loss on impairment of fixed assets for the years ended March 31, 2016 and 2015 is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2016 (Thousands of U.S. dollars)</th>
<th>2015 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Functional Materials</td>
<td>¥818</td>
<td>¥1,862</td>
<td>$7,259</td>
<td>$16,525</td>
</tr>
<tr>
<td>Advanced Materials &amp; Processing Electronics</td>
<td>¥1,360</td>
<td>¥7,100</td>
<td>$939</td>
<td>$2,750</td>
</tr>
<tr>
<td>Automotive &amp; Energy</td>
<td>¥36</td>
<td>¥7</td>
<td>$40</td>
<td>$7</td>
</tr>
<tr>
<td>Life &amp; Healthcare</td>
<td>¥39</td>
<td>¥2,717</td>
<td>$299</td>
<td>$870</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,717</td>
<td>¥2,756</td>
<td>$24,113</td>
<td>$60,27</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Distribution of Retained Earnings</th>
<th>2016 (Millions of yen)</th>
<th>2016 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends (¥16.0 = U.S.$0.14 per share)</td>
<td>¥2,032</td>
<td>$18,033</td>
</tr>
</tbody>
</table>

Independent Auditor’s Report

The Board of Directors
NAGASE & CO., LTD.

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

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

June 29, 2016
Osaka, Japan

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

About the NAGASE Group
Leading Us to the Future
Performance by Segment
Unique Products
Critical Initiatives for Sustainable Growth
Financial and Corporate Information
## Consolidated Subsidiaries, Affiliates and Offices

<table>
<thead>
<tr>
<th>Category</th>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td>Nagase Chemtech Corporation</td>
<td>Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrin derivatives, electronics materials, etc.</td>
<td>Osaka Pref.</td>
<td>1970</td>
</tr>
<tr>
<td></td>
<td>Nihon Pine Co., Ltd.</td>
<td>Planting, production, processing, quality testing and sale of metal fibers</td>
<td>Fukuoka Pref.</td>
<td>1983</td>
</tr>
<tr>
<td></td>
<td>Nihon Beyo Corporation</td>
<td>Development and manufacture of battery power source controllers, battery power sources and power source peripheral equipment</td>
<td>Aichi Pref.</td>
<td>2009</td>
</tr>
<tr>
<td></td>
<td>Toyo Rayon Corporate</td>
<td>Development of applications for synthetic plastic products and manufacturing and sale of processed products</td>
<td>Shizuoka Pref.</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>Shionogi &amp; Co., Ltd.</td>
<td>Sales and lease of various goods, real estate administration</td>
<td>Osaka Pref.</td>
<td>1989</td>
</tr>
<tr>
<td></td>
<td>Nagase Logistics Co., Ltd.</td>
<td>Warehousing and distribution</td>
<td>Chiba Pref.</td>
<td>1995</td>
</tr>
<tr>
<td></td>
<td>Nagase Terakko Co., Ltd.</td>
<td>Manufacturing and processing of rubber, leather, and wood products</td>
<td>Shizuoka Pref.</td>
<td>1970</td>
</tr>
<tr>
<td></td>
<td>Nagase Electronics Technology Co., Ltd.</td>
<td>Chemical etching of liquid crystal glass panel units</td>
<td>Xiamen (China)</td>
<td>2010</td>
</tr>
<tr>
<td></td>
<td>Nagase CMS Technology (Shanghai) Co., Ltd.</td>
<td>Sales and technical servicing of chemicals</td>
<td>Tianjin</td>
<td>2001</td>
</tr>
<tr>
<td><strong>Manufacturing and Processing</strong></td>
<td>Nihon Bio Fertilizer Co., Ltd.</td>
<td>Manufacture and sale of organic fertilizer</td>
<td>Shizuoka Pref.</td>
<td>1986</td>
</tr>
<tr>
<td></td>
<td>Nihon UNF Co., Ltd.</td>
<td>Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals</td>
<td>Shizuoka Pref.</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Choko Co., Ltd.</td>
<td>Insurance agency</td>
<td>Osaka Pref.</td>
<td>1971</td>
</tr>
</tbody>
</table>

### Sales

<table>
<thead>
<tr>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagase Chemical Co., Ltd.</td>
<td>Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery</td>
<td>Tokyo Pref.</td>
<td>1995</td>
</tr>
<tr>
<td>Nagase Plastics Co., Ltd.</td>
<td>Sale of raw materials for plastics and plastic products</td>
<td>Osaka Pref.</td>
<td>1975</td>
</tr>
<tr>
<td>Nagase Beauty Care Co., Ltd.</td>
<td>Sale of cosmetics and health foods</td>
<td>Tokyo Pref.</td>
<td>1991</td>
</tr>
<tr>
<td>WITHEXHON Nagase Co., Ltd.</td>
<td>Sale of dyestuffs, auxiliaries, industrial chemicals and plastics</td>
<td>Fukuoka Pref.</td>
<td>1989</td>
</tr>
<tr>
<td>Nagase Elv Co., Ltd.</td>
<td>Sale of raw materials for plastics and plastic products</td>
<td>Tokyo Pref.</td>
<td>1970</td>
</tr>
<tr>
<td>Nagase Abrasive Materials Co., Ltd.</td>
<td>Sale of abrasives, silicon carbide and related equipment</td>
<td>Osaka Pref.</td>
<td>1985</td>
</tr>
<tr>
<td>Nagase Tambo Co., Ltd.</td>
<td>Sales of medicine for agriculture and additives for fertilizers, feed and food</td>
<td>Tokyo Pref.</td>
<td>1987</td>
</tr>
<tr>
<td>Nagase Tool-Mate Co., Ltd.</td>
<td>Sale of auto-molds, tool production materials, and custom fiber composites</td>
<td>Tokyo Pref.</td>
<td>1985</td>
</tr>
<tr>
<td>LAUDi Co., Ltd.</td>
<td>Research and development, manufacturing, processing, domestic sales, and export of beauty care products and related raw materials</td>
<td>Tokyo Pref.</td>
<td>2015</td>
</tr>
<tr>
<td>Nihon-OG Color &amp; Chemicals Co., Ltd.</td>
<td>Handling and information services related to dyes, industrial chemicals, etc.</td>
<td>Osaka Pref.</td>
<td>1971</td>
</tr>
<tr>
<td>Onix Co., Ltd.</td>
<td>Manufacture and sale of electronics and fluoride and polyamide varnishes for use in materials</td>
<td>Osaka Pref.</td>
<td>2002</td>
</tr>
<tr>
<td>Johnston LNF Co., Ltd.</td>
<td>Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals</td>
<td>Shizuoka Pref.</td>
<td>2001</td>
</tr>
</tbody>
</table>

### Critical Initiatives for Sustainable Growth

**Unique Products**

**Leading Us to the Future**

**About the NAGASE Group**

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**NAGASE & CO., LTD.**  
**Annual Report 2016**
## Consolidated Subsidiaries, Affiliates and Offices

<table>
<thead>
<tr>
<th>Category</th>
<th>Company name</th>
<th>Description of business</th>
<th>Location</th>
<th>Year of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Shanghai Nagase Trading Co., Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>1997</td>
</tr>
<tr>
<td></td>
<td>Shanghai Hua Chen Trading Co., Ltd.</td>
<td>Sale of resins and related products</td>
<td>China</td>
<td>1998</td>
</tr>
<tr>
<td></td>
<td>Shanghai Hua Chen Trading Co., Ltd.</td>
<td></td>
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<tr>
<td></td>
<td>Guangzhou Nagase Trading Co., Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>Tianjin Branch Office</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Guangzhou Branch Office</td>
<td></td>
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<tr>
<td></td>
<td>Shanghai Branch Office</td>
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<tr>
<td></td>
<td>Nagoya Branch Office</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Nagase (Hong Kong) Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>1971</td>
</tr>
<tr>
<td></td>
<td>Nagase (Taiwan) Co., Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>Taiwan</td>
<td>1988</td>
</tr>
<tr>
<td></td>
<td>Dalian Branch Office</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Shanghai Branch Office</td>
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<tr>
<td></td>
<td>Shanghai Branch Office</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>NMF (B.V.I.) Corporation</td>
<td>Vehicle for investments into China from Taiwan</td>
<td>Brunei</td>
<td>2007</td>
</tr>
<tr>
<td></td>
<td>Nagase Korea Corporation</td>
<td>General import/export trading, retailing/wholesaling, import/export trade agency</td>
<td>Korea</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Nagase Marketing and Service (Shanghai) Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>2006</td>
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<td></td>
<td>Guangzhou Branch Office</td>
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<td>Shanghai Branch Office</td>
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<td>Guangzhou Branch Office</td>
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<td>Tianjin Branch Office</td>
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<td>Dalian Branch Office</td>
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<td></td>
<td>Shanghai Branch Office</td>
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<tr>
<td></td>
<td>Shanghai Branch Office</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>INCOA REPSUS CO., LTD.</td>
<td>Planning and development, manufacturing control, quality control and sales of food packaging products</td>
<td>China</td>
<td>2015</td>
</tr>
</tbody>
</table>

## Asia and the Middle East

### Manufacturing and Processing

- Samco Glass Technology (Thailand) Ltd. | Manufacture of automobile components | Thailand | 1994 |
- Ningbo Design Office | | | |
- Automotive Mold Technology Co., Ltd. | Manufacture of automotive molds and dies | Thailand | 2000 |
- Nhat Ho Co., Ltd. | Manufacture, import/export and sale of packaging materials and related equipment | Thailand | 1996 |
- Delmic Color Vietnam Co., Ltd. | Manufacture and sale of color masterbatch blends for plastics | Vietnam | 2005 |
- PT Toys Quality One Indonesia | Manufacture of flame retardant products | Indonesia | 2008 |
- Miraflex Industries Co., Ltd. | Plastic filament processing | Thailand | 2001 |
- PT TUBE Manufacturing Indonesia | Planning of interior auto parts/Mobile of automobile components | Indonesia | 2010 |

### Korea

- Neo Chip & 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 |

### China and Taiwan

- QINGDAO REPSUS CO., LTD. | Planning and development, manufacturing control, quality control and sales of food packaging products | China | 2015 |

### About the NAGASE Group

- **NAGASE & CO., LTD.**
  - **Annual Report 2016**
  - **Category**
  - **Company name**
  - **Description of business**
  - **Location**
  - **Year of establishment**
## Corporate Information (As of March 31, 2016)

### Overview

- **Company Name**: NAGASE & CO., LTD.
- **Founded**: June 18, 1832
- **Establishment**: December 9, 1917
- **Capital**: ¥9,699 million
- **Employees**: 971 (Consolidated: 6,267)

### Main Business

Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods

### Main Banks


### Main Offices

- **Osaka Head Office**: 1-1-17, Shimachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6335-2114
- **Tokyo Head Office**: 5-1, Nihonbashishi-Kobunacho, Chuou-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3221
- **Nagoya Branch Office**: 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5115
- **Nagase R&D Center**: Kobe High-Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3145
- **Nagase Application Workshop**: 2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730

### Organization (as of April 1, 2016)

- **Audit & Supervisory Board**: Audit & Supervisory Board Members
- **Shareholders’ Meeting**: Board of Directors
- **President**: President
- **Risk Management & Compliance Committee**: Nagase R&D Center
- **Internal Control Committee**: Nagase Application Workshop
- **Security Trade Control Committee**: Functional Materials Segment
- **Corporate Planning Div.**: Performance-Chemicals Dept.
- **Intellectual Property Office**: Specialty-Chemicals Dept.
- **Logistics Management Div.**: Advanced Materials & Processing Segment
- **Human Resource & General Affairs Div.**: Colton & Advanced Processing Dept.
- **Finance Div.**: Polymer Global Account Dept.
- **Accounting Div.**: Electronics Segment
- **Legal & Credit Div.**: Electronics Chemicals Dept.
- **Information Technology Div.**: Electronic Materials Dept.
- **Audit Office**: Information & Energy Segment
- **Human & Healthcare Segment**: Automotive Solutions Dept.
- **Life & Healthcare Products Dept.**: Energy Business Office
- **Beauty Care Products Dept.**: Life & Healthcare Products Dept.
- **Nagoya Branch**: Beauty Care Products Dept.

## Investor Information (As of March 31, 2016)

### Stock Exchange

- **Exchange**: Tokyo (First Section)
- **Code**: 8012

### Stock Status

- **Authorized Number of Shares**: 346,980,000 shares
- **Issued Number of Shares**: 127,408,285 shares

### Number of Shareholders

- **7,338**

### Principal Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares (thousands)</th>
<th>Percentage of Total Shares Outstanding (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST</td>
<td>6,780</td>
<td>5.32</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>6,208</td>
<td>4.87</td>
</tr>
<tr>
<td>Sumitomo Mitsui Trust Bank, Limited</td>
<td>5,776</td>
<td>4.53</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>4,941</td>
<td>3.88</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>4,377</td>
<td>3.44</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS</td>
<td>4,018</td>
<td>3.15</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>3,589</td>
<td>2.82</td>
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<tr>
<td>Reiko Nagase</td>
<td>3,565</td>
<td>2.80</td>
</tr>
<tr>
<td>Mitsui Sumitomo Insurance Company, Limited</td>
<td>2,951</td>
<td>2.32</td>
</tr>
<tr>
<td>Hiroshi Nagase</td>
<td>2,946</td>
<td>2.31</td>
</tr>
</tbody>
</table>

* Shares owned by Hiroshi Nagase include shares nominally owned by NAGASE & CO., LTD.

### Composition of Shareholders

- **Securities Companies (29)**: 896 Thousand shares (0.70%)
- **Financial Institutions (55)**: 44,802 Thousand shares
- **Foreign Investors (230)**: 40,204 Thousand shares
- **Treasury Stock (1)**: 377 Thousand shares (0.30%)
- **Other Investors (215)**: 18,494 Thousand shares
- **Individuals and Others**: 22,633 Thousand shares

### Monthly Share Price Range of Nagase

- **Monthly Trading Volume**: (Thousands of Shares)
- **Monthly Share Price TOPIX**: (TOPIX(¥))

### Monthly Trading Volume

- **(Thousands of Shares)**
- **(TOPIX(¥))**