Bringing it all together

The NAGASE Group Slogan is “Bringing it all together.” This slogan inspires us to make 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 integrated 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.

About the NAGASE Group

Performance by Segment

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Critical Initiatives for Sustainable Growth

Financial and Corporate Information

Leading Us to the Future

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Our Board

Corporate Governance

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Advanced Materials & Processing

Electronics

Automotive & Energy

Life & Healthcare

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Major R&D Functions

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Environment

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Community Involvement and Development

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Management’s Discussion and Analysis of Operations and Finances

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Consolidated Subsidiaries, Affiliates and Offices

Investor Information

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

NAGASE trends and other useful information.

2032
Establishing the NAGASE brand heading toward 200 years in business.

See here for more. P.4–5

Employees

¥30 billion or more
We launched our ACE-2020 mid-term management plan in 2016. By the fiscal year ending March 2021, we will normalize ¥30 billion or more in consolidated operating income.

P.4–5

Management

¥722.3 billion
Consolidated net sales of ¥722.3 billion for the fiscal year ending March 2017. Strong financial underpinning; issuer rating of A.

Investors

48.9%
Network spanning 22 countries and 99 companies; overseas sales account for 48.9% of consolidated net sales. (FYE March 2017)

Overseas Employees

11 Countries
45 Companies
Practical answers to customer needs through research and manufacturing functions.

Business Partners

Participants

6,241
A diverse employee base engaged in NAGASE business worldwide.

Employees

Consolidated Employees
(as of March 31, 2017)

Consolidated net sales of ¥722.3 billion for the fiscal year ending March 2017. Strong financial underpinning; issuer rating of A.

Consolidated Employees
(as of March 31, 2017)

Consolidated net sales of ¥722.3 billion for the fiscal year ending March 2017. Strong financial underpinning; issuer rating of A.

Manufacturing Companies
(as of March 31, 2017)

11 Countries
45 Companies
Practical answers to customer needs through research and manufacturing functions.

Business Partners

Participants

6,241
A diverse employee base engaged in NAGASE business worldwide.
Management Philosophy and the NAGASE Vision

The NAGASE Group works toward sustainable growth and improving corporate value. We have defined the NAGASE Management Philosophy, NAGASE Vision, and The NAGASE Way (employee behavioral guidelines) as a set of common values for the Group in our project of developing a global brand. Our slogan of “Bringing it all together” represents our commitment to encompassing all aspects of our business as one, including our business domains, operating regions and countries, people, products, technologies, and services. 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 our daily activities.

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.

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

Value Proposition

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

Vision for the Future

- We will contribute to a sustainable world where people live with peace of mind
NAGASE Group Businesses

Automotive & Energy

Electronic Materials Department

<Department Overview>
The Electronic Materials Department supplies materials for the electronics industry, including semiconductors, liquid crystal displays, and liquid crystal displays. The department also produces various products and services for the electronics industry, including semiconductors, liquid crystal displays, and liquid crystal displays.

Main Products and Services
- Functional resins, general-purpose resins, functional sheets, etc.
- Electronic materials, electronic materials, electrical materials, etc.
- Glass films, organic transparent conductive materials, etc.
- Electronic materials, electronic materials, electrical materials, etc.
- Electronic materials, electronic materials, electrical materials, etc.

Customer Industries
- Electronics, home appliances, housing and real estate, office automation, etc.
- Electronics, home appliances, housing and real estate, office automation, etc.
- Electronics, home appliances, housing and real estate, office automation, etc.
- Electronics, home appliances, housing and real estate, office automation, etc.

Automotive Solutions Department

<Department Overview>
The Automotive Solutions Department provides unique products and services for the automotive industry, including semiconductors, liquid crystal displays, and liquid crystal displays.

Main Products and Services
- Flexible display materials, functional resins, touch panel components, etc.
- Flexible display materials, functional resins, touch panel components, etc.
- Flexible display materials, functional resins, touch panel components, etc.
- Flexible display materials, functional resins, touch panel components, etc.

Customer Industries
- Automotive parts, construction, logistics, lighting, and other suppliers. The department also sells materials and components to smartphone, tablet, and wearable device manufacturers.
- Automotive parts, construction, logistics, lighting, and other suppliers. The department also sells materials and components to smartphone, tablet, and wearable device manufacturers.
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- Automotive parts, construction, logistics, lighting, and other suppliers. The department also sells materials and components to smartphone, tablet, and wearable device manufacturers.
The NAGASE Group: Blending Tradition and Innovation

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.

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.

Our 185th year in business

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.

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Tradition and Innovation

Founding

1832 Nagase founded in Kyoto as a dyestuffs wholesaler, we became an industrial raw materials supplier during Japan’s high-growth period

1898 Head office moved to Osaka

Supporting Japanese Industry

In the 1900s, we signed sales representative agreements with Eastman Kodak and General Electric, building a foundation of trust lasting nearly two centuries

Overseas Network

Overseas Sales to Net Sales 48.9%

In the 1900s, we signed sales representative agreements with Eastman Kodak and General Electric, building a foundation of trust lasting nearly two centuries.

Overseas Sales

NAGASE long-term management policy and updated Management Philosophy and Structure

Unique Functions

Creating new businesses in cooperation with our customers and business partners around the world

Foundation for Cooperative Growth

A chemicals trading company building a strong reputation in manufacturing, processing, and research and development

Manufacturing, Processing, Trading Company, R&D

2000s

2000 Changed the name of NAGASE CIBA, Ltd. to NAGASE Chemtex Corporation

2001 Nagase Chemtex, Nagase Chemicals, Teikoku Chemical Industries, and Nagase Biochemicals merged to Nagase Chemtex Corporation

2001 Concluded an exclusive distributorship agreement with General Electric Co. of the United States

2004 Established Nagase-CIBA Ltd.

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

2005 Established Nagase Korea Corporation

1937 Established Teikoku Chemical Industries Co., Ltd.

2006 Changed the name of Nagase-CIBA, Ltd. to NAGASE Chemtex Corporation

1940 Established Nagase Chemicals, Teikoku Chemical Industries, and Nagase Biochemicals merged to Nagase Chemtex Corporation

2007 Established Nagase Application Workshop

1941 Established Nagase (Malaysia) Sdn. Bhd.

2008 Established Nagase America

1945 Established Nagase Vietnam Co., Ltd.

2009 Established Dubai branch office

1950s

1964 Listed Company shares on the Osaka Securities Exchange

2012 Acquired stock of semiconductor manufacturing equipment maker FiacTech Packaging Technologies GmbH

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

2014 Completion of NAGASE Global HR Development Center

1970 Established NAGASE CIBA Ltd.

2015 Created NAGASE Long-Term Management Policy and Upgraded Management Philosophy Structure

1971 Concluded an exclusive distributorship agreement with General Electric Co. of the United States

2016 Launched new mid-term management plan

1972 Established Nagase Medicals Co., Ltd.

2032 Our 200th anniversary

1975 Established Nagase Singapore (Pte) Ltd.

1980 Changed the name of Nagase-CIBA, Ltd.

1977 Established Nagase Biochemicals, Ltd.

1981 Concluded an exclusive distributorship agreement with General Electric Co.

1978 Established Nagase Europe GmbH

1982 Closed the Seoul branch office and established Nagase Korea Corporation

1979 Established Nagase (Thailand) Co., Ltd.

2000 Changed the name of NAGASE CIBA, Ltd. to NAGASE Chemtex Corporation

1984 Concluded an exclusive distributorship agreement with Union Carbide and Carbon Corp. of the United States

1985 Established Nagase (Brazil) Ltd.

2001 Nagase Chemtex, Nagase Chemicals, Teikoku Chemical Industries, and Nagase Biochemicals merged to Nagase Chemtex Corporation

1988 Established Nagase (Taiwan) Co., Ltd.

2002 Established Shanghai Nagase Trading Co., Ltd.

1989 Established Nagase (Thailand) Co., Ltd.

2003 Closed the Seoul branch office and established Nagase Korea Corporation

1990 Established Nagase Science and Technology Foundation

2004 Established NAGASE Global HR Development Center

1992 Established Sakai Sales Office

1998 Established Japan (Europe) S.A.

2005 Changed the name of Nagase-CIBA, Ltd. to NAGASE Chemtex Corporation

1993 Established Shanghai Hua Chang Trading Co., Ltd.

2006 Acquired stock of semiconductor manufacturing equipment maker FiacTech Packaging Technologies GmbH

1994 Established Nagase Medicals Co., Ltd.

2007 Established Nagase Application Workshop

1995 Acquired stock of formulated epoxy resins

2008 Established Nagase America

1996 Acquired stock of semiconductor manufacturing equipment maker FiacTech Packaging Technologies GmbH

2009 Established Shanghai Hua Chang Trading Co., Ltd.

1997 Established Nagase Biochemicals, Ltd.

2010 Established Nagase Medicals Co., Ltd.

1998 Established Nagase Biochemicals, Ltd.

2014 Entry of NAGASE to the Global High-Tech Industry

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2014 Entry of NAGASE to the Global High-Tech Industry

2015 Created NAGASE Long-Term Management Policy and Upgraded Management Philosophy Structure
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.

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

Supporting beauty and health

Supporting industry through materials and finished products

We maintain high profit ratios by offering high-value-added materials

Per Share Dividends (¥)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017/3</th>
<th>2016/3</th>
<th>2015/3</th>
<th>2014/3</th>
<th>2013/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends paid from business profits</td>
<td>¥33</td>
<td>40</td>
<td>39</td>
<td>38</td>
<td>38</td>
</tr>
</tbody>
</table>

Maintain high profit ratios by offering high-value-added materials

Share of NAGASE Consolidated Operating Income Represented by Manufacturing Businesses

39.5%
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.
# 13-Year Financial Highlights

**13-Year Financial Highlights**

**Note 1:** At the beginning of fiscal 2005, the Fine Chemicals Department (part of the Chemicals segment) was integrated with the Healthcare segment. The combined organization is now known as the Life & Healthcare segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

**Note 2:** At the beginning of fiscal 2009, the Company moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Sciences segment.

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

**Performance (Accounting Fiscal Year)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Total Assets</th>
<th>Profit Attributable to Owners of the Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/3</td>
<td>¥ 575,636</td>
<td>¥ 61,960</td>
<td>¥ 335,290</td>
<td>¥ 10,384</td>
</tr>
<tr>
<td>2006/3</td>
<td>¥ 637,854</td>
<td>¥ 67,640</td>
<td>¥ 396,773</td>
<td>¥ 12,892</td>
</tr>
<tr>
<td>2007/3</td>
<td>¥ 716,255</td>
<td>¥ 73,639</td>
<td>¥ 422,859</td>
<td>¥ 13,567</td>
</tr>
<tr>
<td>2008/3</td>
<td>¥ 775,285</td>
<td>¥ 80,506</td>
<td>¥ 419,869</td>
<td>¥ 10,005</td>
</tr>
<tr>
<td>2009/3</td>
<td>¥ 800,090</td>
<td>¥ 71,527</td>
<td>¥ 340,968</td>
<td>¥ 5,808</td>
</tr>
<tr>
<td>2010/3</td>
<td>¥ 603,949</td>
<td>¥ 65,415</td>
<td>¥ 368,088</td>
<td>¥ 7,537</td>
</tr>
<tr>
<td>2011/3</td>
<td>¥ 660,213</td>
<td>¥ 73,008</td>
<td>¥ 375,336</td>
<td>¥ 12,823</td>
</tr>
<tr>
<td>2012/3</td>
<td>¥ 696,272</td>
<td>¥ 71,628</td>
<td>¥ 450,842</td>
<td>¥ 8,570</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥ 725,713</td>
<td>¥ 82,583</td>
<td>¥ 486,747</td>
<td>¥ 14,182</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥ 742,194</td>
<td>¥ 88,936</td>
<td>¥ 498,141</td>
<td>¥ 11,663</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥ 779,713</td>
<td>¥ 91,991</td>
<td>¥ 546,525</td>
<td>¥ 11,318</td>
</tr>
<tr>
<td>2016/3</td>
<td>¥ 722,384</td>
<td>¥ 91,663</td>
<td>¥ 512,081</td>
<td>¥ 12,316</td>
</tr>
<tr>
<td>2017/3</td>
<td>¥ 733,884</td>
<td>¥ 91,503</td>
<td>¥ 530,775</td>
<td>¥ 10,331</td>
</tr>
</tbody>
</table>

**Per Share Data:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Dividends</th>
<th>Shareholders' Equity Dividend Rate (%)</th>
<th>Overseas Sales to Net Sales</th>
<th>Debt Equity Ratio (Times)</th>
<th>Return on Equity (ROE)</th>
<th>Operating Margin (Operating Income/Net Sales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/3</td>
<td>¥ 10</td>
<td>0.79</td>
<td>36.8%</td>
<td>0.08</td>
<td>6.4</td>
<td>2.3</td>
</tr>
<tr>
<td>2006/3</td>
<td>¥ 15</td>
<td>1.06</td>
<td>41.4%</td>
<td>0.13</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2007/3</td>
<td>¥ 18</td>
<td>1.15</td>
<td>41.4%</td>
<td>0.17</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2008/3</td>
<td>¥ 17</td>
<td>1.15</td>
<td>35.4%</td>
<td>0.18</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2009/3</td>
<td>¥ 17</td>
<td>1.15</td>
<td>35.4%</td>
<td>0.21</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2010/3</td>
<td>¥ 22</td>
<td>1.42</td>
<td>35.4%</td>
<td>0.24</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2011/3</td>
<td>¥ 24</td>
<td>1.52</td>
<td>35.4%</td>
<td>0.27</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2012/3</td>
<td>¥ 26</td>
<td>1.50</td>
<td>35.4%</td>
<td>0.30</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥ 28</td>
<td>1.51</td>
<td>35.4%</td>
<td>0.32</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥ 30</td>
<td>1.50</td>
<td>35.4%</td>
<td>0.32</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥ 32</td>
<td>1.51</td>
<td>35.4%</td>
<td>0.32</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2016/3</td>
<td>¥ 33</td>
<td>1.52</td>
<td>35.4%</td>
<td>0.34</td>
<td>7.1</td>
<td>2.7</td>
</tr>
<tr>
<td>2017/3</td>
<td>¥ 34</td>
<td>1.52</td>
<td>35.4%</td>
<td>0.34</td>
<td>7.1</td>
<td>2.7</td>
</tr>
</tbody>
</table>

**Financial Condition:**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets</th>
<th>Total Assets/ROA</th>
<th>ROE (right axis)</th>
<th>Total Assets (left axis)</th>
<th>ROA (right axis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/3</td>
<td>¥ 1,311.37</td>
<td>0.07%</td>
<td>6.4%</td>
<td>¥ 335,290</td>
<td>6.4%</td>
</tr>
<tr>
<td>2006/3</td>
<td>¥ 1,535.70</td>
<td>0.13%</td>
<td>7.1%</td>
<td>¥ 396,773</td>
<td>7.1%</td>
</tr>
<tr>
<td>2007/3</td>
<td>¥ 1,597.27</td>
<td>0.10%</td>
<td>7.1%</td>
<td>¥ 422,859</td>
<td>7.1%</td>
</tr>
<tr>
<td>2008/3</td>
<td>¥ 1,559.97</td>
<td>0.17%</td>
<td>4.9%</td>
<td>¥ 419,869</td>
<td>4.9%</td>
</tr>
<tr>
<td>2009/3</td>
<td>¥ 1,435.88</td>
<td>0.17%</td>
<td>3.0%</td>
<td>¥ 340,968</td>
<td>3.0%</td>
</tr>
<tr>
<td>2010/3</td>
<td>¥ 1,519.61</td>
<td>0.11%</td>
<td>4.0%</td>
<td>¥ 368,088</td>
<td>4.0%</td>
</tr>
<tr>
<td>2011/3</td>
<td>¥ 1,568.04</td>
<td>0.13%</td>
<td>4.0%</td>
<td>¥ 450,842</td>
<td>4.0%</td>
</tr>
<tr>
<td>2012/3</td>
<td>¥ 1,838.31</td>
<td>0.23%</td>
<td>4.0%</td>
<td>¥ 498,141</td>
<td>4.0%</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥ 2,125.16</td>
<td>0.27%</td>
<td>4.0%</td>
<td>¥ 546,525</td>
<td>4.0%</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥ 2,320.24</td>
<td>0.31%</td>
<td>4.0%</td>
<td>¥ 512,081</td>
<td>4.0%</td>
</tr>
<tr>
<td>2015/3</td>
<td>¥ 2,491.47</td>
<td>0.31%</td>
<td>4.0%</td>
<td>¥ 530,775</td>
<td>4.0%</td>
</tr>
<tr>
<td>2016/3</td>
<td>¥ 2,612.20</td>
<td>0.31%</td>
<td>4.0%</td>
<td>¥ 529,155</td>
<td>4.0%</td>
</tr>
<tr>
<td>2017/3</td>
<td>¥ 2,821.61</td>
<td>0.31%</td>
<td>4.0%</td>
<td>¥ 531,315</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Note (1):** At the beginning of fiscal 2005, the Fine Chemicals Department (part of the Chemicals segment) was integrated with the Healthcare segment. The combined organization is now known as the Life & Healthcare segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

**Note (2):** At the beginning of fiscal 2009, the Company moved its information and functional materials businesses handling materials related to insulating materials and fluoroplastic-related materials from the Sciences segment to the Plastics segment. Businesses handling surface detection machines for functional films and sheets have been moved under the Plastics segment.

**Note (3):** At the beginning of fiscal 2012, the NAGASE Group reorganized its four business segments into five business segments (Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare) to more fully reflect the respective positions of each business in the value chain. For comparative purposes, fiscal 2011 figures have been calculated using the new business segments. The Colors & Imaging Department formerly under the Chemicals segment has been moved under the Advanced Materials & Processing segment. The Automotive & Energy segment was also organized by combining the former Automotive Solutions Department (under the Chemicals segment) and the Energy Business Office, which was an integrated entity containing the Energy Management Office under the Other segment and the Energy Office.
Highlights in FY2016

Major NAGASE Group highlights during fiscal 2016.

- **NAGASE & CO., LTD.**
  - **Sale of Nagase FineChem Singapore stock:** Withdrawal from the electronics chemicals business in Singapore

- **NAGASE & CO., LTD.**
  - **Obtained patent:** Method for Manufacturing Ferritin
  - **Developed technology to control the volume of metal ions stored within proteins**

- **NAGASE & CO., LTD.**
  - **Completed construction of the Okayama Functional Saccharide Plant, T Building**

- **Hayashibara Co., Ltd.**
  - **Developed world's thinnest blood flow authentication technology jointly with Bionics Co., Ltd. and entered the security-related business**
  - **Stronger partnership with Inkron:** Greater presence in the display, touch sensor, and wearables markets

- **NAGASE & CO., LTD.**
  - **Stronger urethane business in North America:** Start of product development with Cytech in response to North American needs

- **Hayashibara Co., Ltd.**
  - **Received GRAS Certification for isomaltodextrin (soluble dietary fiber) from the U.S. Food and Drug Administration**

- **NAGASE & CO., LTD.**
  - **Developed world’s thinnest blood flow authentication technology jointly with Bionics Co., Ltd. and entered the security-related business**

- **Okayama Functional Saccharide Plant, T Building Expansion**

- **Greater bread volume with retained softness**

- **NAGASE & CO., LTD.**
  - **Participated as a founding member in the IBM Research Frontiers Institute, aiming for the development of chemical materials supporting the future IT society**

- **Building even stronger alliances**

- **Stronger manufacturing functions for high-potency injection drugs at Nagase Medicals Co., Ltd.**

- **Construction of new building and launch of freeze drying line**

- **Stronger partnership with Inkron:** Greater presence in the display, touch sensor, and wearables markets
We are reforming our profit structure and corporate culture for sustainable growth.

Representative Director and President

Kenji Asakura
July 2017

NAGASE has pushed for corporate value growth under the key concepts of full participation and front-line focus.

Looking Back on Fiscal 2016

Global financial markets experienced turmoil during the first half of 2016 in response to the lack of clear direction in the Chinese economy and the British exit from the EU. While the first half of the fiscal year was one of decelerating momentum in the global economy, the second half brought with it a gradual recovery. This unstable environment during the first half of the year had a negative impact on NAGASE Group performance. However, general growth in Asia during the second half helped us achieve profits for the year (see P.69 for more about financial results).

During 2015, the NAGASE Group created medium-term policies and updated the structure of our corporate principles as we look forward to the year 2032 and our 200th anniversary. In 2016, we began operating under our new ACE-2020 mid-term management plan, which covers fiscal years 2016 through 2020. The ACE in this plan is an acronym for Accountability, Commitment, and Efficiency. We are engaged in two major reforms under this plan: Reform Profit Structure and Reform Corporate Culture. We took our first steps toward these goals in the initial year of the plan.

To become a company known for sustainable growth in our 200th year, it is important that we not only grow our existing businesses, but also create new businesses. Conditions have changed significantly both geopolitically and in business since we adopted our new policies in 2015. However, we are making progress in creating new businesses through the policies that we have already implemented.

At the beginning of this year, I proclaimed the phrase Speed Up. It should go without saying that we must increase the speed of our engagement.

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
Message from the President

Four Key Policies Under ACE-2020

Reform Profit Structure

1) Portfolio optimization: We will categorize businesses into Growth/Emerging, Focus, Base, and Improvement, and execute strategies under each. At present, we have not altered our policy of allocating resources to Focus sectors such as Life & Healthcare and Electronics. In our Life & Healthcare segment, we expanded the Hayashibara production facilities manufacturing TREHA™. We also made the decision to build an additional manufacturing building for high-potency injection drugs at Nagase Medicals Co., Ltd. In October 2016, we began sales of DENABAKE™ EXTRA, a broad-making enzyme developed jointly between Nagase Chemtex and Hayashibara. At present, we conduct research and development at three different locations. These types of successful joint projects will be something we plan to focus on as part of our proven track record in the future. In our Electronics segment, we strengthened our relationship with Inkon Oy of Finland, making the company a subsidiary during fiscal 2017 and bolstering our presence in the display, touch panel, and wearables businesses. In the second year of ACE-2020, we hope to focus more deeply in the liquid crystal and semiconductor markets in China in addition to growing sales of our own products. As measures to replace assets and reallocate resources, we sold stock in certain affiliated companies and consolidated others.

2) Expand and strengthen revenue base: To accelerate our global expansion, we acquired 35% of Cytech Products Inc. to bolster our urethane business in North America. We are making progress toward strengthening our management base, including investing in new businesses. We also introduced a number of policies to improve profitability at our manufacturing companies, demonstrating significant improvement over the course of fiscal 2016. We will continue to focus on raising profitability to new levels.

ACE-2020 Basic Policy

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

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

Reform Corporate Culture

3) Mindset: With accountability, which is the A in ACE, we must Identify, Develop, and Expand the seeds of businesses that represent the NAGASE Vision. To foster greater accountability, we are delegating authority to the heads of our various organizations. Those employees who resonate with our principles and have the capacity to develop new businesses at the front lines of our company will be the ones who lead us forward.

4) Strengthen management platform: To create greater management efficiencies, we inventoried our processes and performed a review of our functions, consolidating some of our back office organizations. We will conduct more reviews of our back office systems in the future.

Reform Corporate Culture

Reduce Group functions to achieve the quantitative and qualitative targets.

Reform Profit Structure

Portfolio Optimization
- Categorization of business and execution of strategy that matches with the area
- Replacement of asset and reallocation of resources
- Acceleration in investment that creates core business of group

Expand and Strengthen Revenue Base
- “G6000”
- Improve manufacturing profitability

Mindset
- Breed independence and responsibility
- Share the management’s message
- Thorough monitoring and POC

Strength Management Platform
- Pursue efficiency
- HR development

KPI (Key Performance Indicator) Factor index to achieve KGI

<table>
<thead>
<tr>
<th>KGI (Key Goal Indicator)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Sales</strong></td>
</tr>
<tr>
<td>FY2016: 722.3 Billion Yen</td>
</tr>
<tr>
<td>FY2017 (planned): 732.0 Billion Yen</td>
</tr>
<tr>
<td>FY2020: 1.0 Trillion Yen or more</td>
</tr>
<tr>
<td><strong>Consolidated Operating Income</strong></td>
</tr>
<tr>
<td>FY2016: 15 Billion Yen</td>
</tr>
<tr>
<td>FY2017 (planned): 19.1 Billion Yen</td>
</tr>
<tr>
<td>FY2020: 30 Billion Yen or more</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
</tr>
<tr>
<td>FY2016: 3.7%</td>
</tr>
<tr>
<td>FY2017 (planned): 4.2%</td>
</tr>
<tr>
<td>FY2020: 6% or more</td>
</tr>
</tbody>
</table>

Reform Strategy Measures KPI (Index) FY2016 FY2017 (planned) FY2020

Profit Structure

Reform Indicator

Increase Focused Business (Portfolio Optimization)
- Operating Income in Focus Area
- Growing Investment Distribution Ratio in Focus Area

Accelerate Globalization (Expand and Strengthen Profit Structure)
- Overseas Group Sales
- Sales Growth Rate in the Americas

Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)
- Operating Income from Manufacturing
- Break-Even Point Sales Ratio

Corporate Culture

Reform Indicator

Pursue Efficiency (Strengthen Management Platform)
- Consolidated Selling, General and Administrative Ratio

Financial Strategy

Indicator

Investment
- Growth Investment

Financial Structure
- Rating (R&I)

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

Use of AI Technology in Research and Development

The NAGASE Group conducts research and development through the Nagase R&D Center, Nagase Application Workshop, and our manufacturing subsidiaries.

As one part of our research and development activities, in 2016 we joined the IBM Research Frontiers Institute, founded by IBM. We started a chemical materials development project, which uses cognitive systems and advanced data analytics. Working mainly with Japanese chemical manufacturers and NAGASE Group companies, we are developing materials and applications. Impacting chemical development data and thesis papers should lead to new insights based on the automatic generation of chemical formulas. This method of development should also reduce time and costs compared to traditional trial-and-error experimentation.

We have also established the New Value Creation Office as an internal organization. It is clear that the evolution of technologies such as the Internet of Things, Big Data, and Artificial Intelligence will change by order of magnitude. We believe the needs for new materials will be a major business opportunity. In the course of major trends in technology innovation, the NAGASE Group will identify areas of focus where we can provide value to the world.

Toward Greater Growth

Under ACE-2020, we have set aside ¥100 billion for growth investment. During fiscal 2016, we investigated an unprecedented number of potential investments, leading to a deeper pool of expertise in business investment. While I cannot say for sure what will happen in fiscal 2017, we have a number of potential investments in the pipeline and we are highly interested in making investments.

We have also investigated a number of businesses with manufacturing functions. In addition to hiring experts and taking other steps to strengthen our risk management at the front lines, we are also delegating more authority.

We are also upgrading our Group enterprise systems to facilitate rapid decision-making and better monitoring through more advanced internal controls.

ESG and Branding Initiatives

Having achieved compliance with the Corporate Governance Code to the letter, now it is time for us to comply by the spirit of the code. To instill branding internally and reform our corporate culture as stated in ACE-2020, we must communicate messages from top management to all employees.

We are hiring more mid-career employees than ever before. Now, more than 6,000 people from a diverse range of backgrounds work at NAGASE companies in Japan and throughout the world. To create a sense of shared Group values among all employees, we began Top Management Tours by our chairman, president, and vice president in January 2016. To date, more than 127 Top Management Tours have taken place, with approximately 26% of employees participating. These meetings, consisting of 10 or so participants, have been well received as a means to raise understanding and help employees resonate with our principles and the NAGASE Vision. We plan to continue this practice to help create sustainable growth and improved corporate value. Personally, I plan to maintain a close relationship with the front lines of our businesses. I will strive to continue to create video messages, write blog posts, and interact directly with our younger employees.

To Our Shareholders and Investors

Since being named president of NAGASE & CO., LTD., I have had the opportunity to meet with a number of stakeholders in Japan and across the world. I believe in the importance of open communication, disclosing our progress and circumstances through such meetings and in the media. Our positive attitude and active investor relations campaigns have resulted in quite an increase in the number of shareholders owning NAGASE stock. I hope to take even more opportunities to interact with you in the future, hearing your feedback about our company. We hope to take your feedback and incorporate it into future discussions, building stronger relationships with our stakeholders via this type of two-way communication. I ask for your continued support as we pursue our vision for NAGASE.

We will continue to reinvent ourselves as a Business Designer, creating new societal value through means beyond the framework of our traditional trading company roots.
Our Board
(as of June 29, 2017)

Sustainable corporate value through management and disclosure accountability

Directors

Outside Director

Nobumasa Kemori
1960: Joined Sumitomo Metal Mining Co., Ltd. 2006: Managing Executive Officer and Director, Sumitomo Metal Mining Co., Ltd. 2013: Representative Director and President, Sumitomo Metal Mining Co., Ltd.

Directors

Takanoi Yamashita
Representative Director and Senior Managing Executive Officer
Mitsuru Naba
Director and Chairman

Kenichi Matsuki
Audit & Supervisory Board Member

Direct and Executive Officer
Kohei Sato
Deputy General Manager of the London Group of Global Banking Corporation

Corporate Auditors

Nobuyuki Shirafuji
Audit & Supervisory Board Member

Masaaki Furukawa
Audit & Supervisory Board Member

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

Executive Officers

Akihiko Isome
Managing Executive Officer

Katsuhisa Yamaguchi
Executive Officer

Mitsuru Kanno
Executive Officer

Naoki Yasuba
Executive Officer

Masaya Ikemoto
Executive Officer

Yoshitaki Mihara
Executive Officer

Hiroyuki Ueshima
Executive Officer

Koichi Sagawa
Executive Officer

Hidenori Nishi
Outside Director

1975: Joined KAGOME CO., LTD. 2013: Director and Executive Officer, KAGOME CO., LTD. 2013: Representative Director and President, KAGOME CO., LTD. 2014: Director and General Manager, KAGOME CO., LTD. 2015: Director and General Manager, KAGOME CO., LTD.

1975: Joined KAGOME CO., LTD. 2008: Director and Senior Managing Executive Officer, KAGOME CO., LTD. 2009: Director and Representative Director, KAGOME CO., LTD. 2014: Representative Director and Chairman, KAGOME CO., LTD. 2016: Chairman of the Board, KAGOME CO., LTD.

1960: Joined Sumitomo Metal Mining Co., Ltd. 2013: Representative Director and President, Sumitomo Metal Mining Co., Ltd. 2017: Executive Adviser, Sumitomo Metal Mining Co., Ltd.

2003: Director and Executive Officer, KAGOME CO., LTD. 2006: Director and Senior General Manager, KAGOME CO., LTD. 2008: Director and Senior General Manager, KAGOME CO., LTD. 2009: Director and Representative Director, KAGOME CO., LTD. 2014: Representative Director and Chairman, KAGOME CO., LTD. 2016: Director of KAGOME & CO., LTD. 2016: Chairman of the Board, KAGOME & CO., LTD.

1980: Joined Sumitomo Metal Mining Co., Ltd.

1984: Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)

2003: General Manager of the London Group of Global Banking Corporation

2003: General Manager of the London Group of Global Banking Corporation

2004: General Manager of Credit Review Department, Europe, Middle East and Africa Division

2004: Managing Director of Sumitomo Mitsui Banking Corporation

2006: General Manager of Corporate Planning Division, Nagase & Co., LTD.

1964: Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)

1975: Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)

1975: Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)
Compliance with the Corporate Governance Code

As of June 2016, there was one item of explanation. However, having conducted an effectiveness evaluation of the Board of Directors in March 2017, we determined that we were in compliance with all aspects of the Corporate Governance Code.

To improve corporate value over the medium and long term, we believe that it is important to continuously assess and verify our status, beyond simply creating the systems and structures. We are committed to continuing the improvement of our corporate governance.

[Principle 4.11(3)] Evaluation of the Effectiveness of the Board of Directors

During fiscal 2016, we conducted a survey to evaluate the effectiveness of our Board of Directors. This survey asked all directors and corporate auditors to respond to questions about board structure, operations, deliberations, and more. The results of this survey were compiled and analyzed by the Office of Evaluations. Based on these results, the board conducted an evaluation of board effectiveness. As a result, the NAGASE Board of Directors confirmed that it operates under a proper composition of personnel, and that deliberations and decision-making are conducted in a timely and proper manner. At the same time, the board confirmed the need to further look into meeting preparation and the discussion process to engender deeper deliberations. The Board of Directors will continue to seek ways to improve board effectiveness.

Please refer to our corporate governance report for more information.

Initiatives to Strengthen Corporate Governance

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 includes 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>President</th>
<th>Chairman of the Board of Directors</th>
<th>Chairman of the Board of Directors</th>
<th>Chairman</th>
<th>President</th>
<th>Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Hiroshi Nagase</td>
<td>Kenji Asakura</td>
<td>Kenji Asakura</td>
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<td></td>
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<tr>
<td>2011</td>
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<td>2012</td>
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<td>2017</td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board Meetings</th>
<th>Compensation Committee</th>
<th>Number of Audit &amp; Supervisory Board Members</th>
<th>Executive Officer System Adopted</th>
<th>Number of Independent Directors</th>
<th>Number of Outside Directors</th>
<th>Number of Board of Directors Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>Yes</td>
<td>4 (same for outside directors)</td>
<td>2 (same for outside directors)</td>
<td>4</td>
<td>2</td>
<td>16 (same for outside directors)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Compliance Committee</th>
<th>Risk Management &amp; Compliance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Established Basic Compliance Policy</td>
<td></td>
</tr>
<tr>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Established NAGASE Group Compliance Behavior Standards</td>
<td>Revised</td>
</tr>
<tr>
<td>Established Compliance Call Center Rules</td>
<td></td>
</tr>
<tr>
<td>Director Compensation</td>
<td>Compensation Committee</td>
</tr>
<tr>
<td>Management Philosophy</td>
<td></td>
</tr>
</tbody>
</table>
Under a corporate system that adopts an Audit & Supervisory Board, NAGASE introduced the executive officer system in June 2001. The Company’s current management framework consists of 10 directors (including 2 outside directors), 18 executive officers (6 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 system. Having secured supervision and auditing functions that operate from diversified perspectives, including from outside the Company, NAGASE believes the current corporate governance system is more rational than ever. We will increase our efforts to further reinforce our corporate governance system to secure the trust of our stakeholders.

Executive Structure

NAGASE’s Corporate Governance System

1. Board of Directors
   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.

2. Corporate Auditors/Audit & Supervisory Board Members
   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.

3. Executive Officers
   Executive officers attend the 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.

Shareholders’ Meeting

1. Shareholders’ Meeting
2. Independent Auditor
3. Corporate Auditors
   Audit & Supervisory Board (including 2 outside corporate auditors)
4. Board of Directors
   10 (including 2 outside directors)
5. Compensation Committee
   (outside directors + directors)
6. Risk Management & Compliance Committee
7. Internal Control Committee
8. Security Trade Control Committee
9. Compliance Call Center
10. Audit Office

With the majority of its members made up of outside directors, the Compensation Committee ensures the objectivity and transparency of the Company’s directors and executive officers in the decision-making process regarding compensation by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

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

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

The Security Trade Control Committee thoroughly complies with export related laws and regulations in relation to foreign currency exchange and foreign trade for its trading of cargos and technologies covered by such laws and regulations.
**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, with the majority of its members 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 Type/Number of Eligible Directors** (Millions of yen)

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Compensation</th>
<th>Total Compensation by Type</th>
<th>Number of Eligible Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (including Outside Directors)</td>
<td>334</td>
<td>222</td>
<td>112</td>
</tr>
<tr>
<td>Corporate Auditors (excluding Outside Corporate Auditors)</td>
<td>44</td>
<td>44</td>
<td>—</td>
</tr>
<tr>
<td>Outside Officers</td>
<td>48</td>
<td>48</td>
<td>—</td>
</tr>
</tbody>
</table>

**Important Matters regarding Employee Bonuses for Employees Also Serving as Directors**

<table>
<thead>
<tr>
<th>Total Compensation</th>
<th>Number of Eligible Directors</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>3</td>
<td>Paid 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 13 employees, including certified internal auditors (CIA), qualified internal auditors (QIA), and other individuals who possess specialized knowledge in internal audits. The Audit & Supervisory Board consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance and accounting.

The Company established the Audit Office to also ensure corporate auditors auditing effectiveness, supplying staff upon request to support the corporate auditors’ work. The Audit Office and the Audit & Supervisory Board exchange information regarding internal audits and audits of domestic and overseas subsidiaries as necessary, while holding meetings twice a year with affiliated company’s auditors. In addition, they perform wide-ranging liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, NAGASE’s independent auditor, 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 routine basis, the independent auditor also holds meetings quarterly with the Audit & Supervisory Board.

Further, the Audit Officer, an independent internal auditor, compiles evaluations of internal controls in response to our internal controls reporting system as it relates to our financial reporting, reporting to the Internal Control Committee as appropriate. The Internal Control Committee reports regularly to the Audit & Supervisory Board and independent auditor regarding the implementation status of the internal control system.

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

**Certified Public Accountants**

- Mikio Kameishi
- Hideshi Yamamoto
- Yoshihiro Takada

**Auditing Firms**

- Ernst & Young ShinNihon LLC
- Tatsunouchi & Associates

**Certified Limited Liability Partners**

- Specified limited liability partners
- Managing partners

**Independence Standards and Policies for Outside Directors and Corporate Auditors**

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 selects candidates for outside corporate auditors who have a wealth of knowledge and experience in a variety of fields, and who have the ability to conduct audits from a standpoint of neutrality and objectivity.

The Company has designated a total of four outside directors and corporate auditors as independent: Mr. Nobumasa Kamori and Mr. Nobuyuki Shirafuji as outside directors, and Mr. Nobukazu Kemori and Mr. Toshihiko Takano as outside corporate 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 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.

**Major Investor Relations Activities during Fiscal 2016**

<table>
<thead>
<tr>
<th>Activity</th>
<th>No. of Events</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conference/briefings for institutional investors and analysts</td>
<td>2</td>
<td>Financial results disclosure, forecasts, special topics (year-end, interim)</td>
</tr>
<tr>
<td>Individual investor conferences/meetings</td>
<td>10</td>
<td>Conducted at branches of member companies (Shiga 1 time, Mie 2 times, and Aichi, Iwate, Fukuoka, Miyazaki and Tahara 1 time)</td>
</tr>
<tr>
<td>Overseas roadshows</td>
<td>1</td>
<td>Participation in conferences sponsored by securities companies</td>
</tr>
</tbody>
</table>

**Business Continuity Planning**

**Fiscal 2016 Results**

During Fiscal 2016, the Group conducted initial response training at the Tokyo head office (October) and the Osaka Headquarters and Nagoya branch office (November). The training tested the response of the Fire Prevention head office, Self-Defense Squad, Facilities Confirmation Team, Information Systems Team, and Logistics Confirmation Team during a simulated emergency. Further, in March, based on the business continuity plan created by the division, we held a training in the Model Division to determine whether operating procedures could be taken over by the Nagoya branch office in the event of a disaster in Tokyo.

In the event of a large-scale disaster making the continued use of our Tokyo Head Office unfeasible, we have the option of using the NAGASE Global HR Development Center (opened May 2014 in Sendagaya, Tokyo) as a backup office. During December 2016, we implemented disaster prevention BCP response training.

**Fiscal 2017 Initiatives**

As in fiscal 2016, we will continue to conduct emergency response training to improve initial response quality and speed. We will conduct disaster prevention BCP training for the NAGASE Global HR Development Center (backup office location) to improve our disaster preparedness and response.
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

#### Net Sales
- **17/3**
- **16/3**
- **15/3**

#### Operating Income
- **17/3**
- **16/3**
- **15/3**

#### Net Sales by Segment
- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Others

#### Operating Income by Segment
- Functional Materials
- Advanced Materials & Processing
- Electronics
- Automotive & Energy
- Life & Healthcare
- Others

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Yasuhiro Mihara  
Executive Officer  
General Executive, Functional Materials Segment

Kusun Ota  
Executive Officer  
General Executive, Advanced Materials & Processing Segment

Takahiro Okumura  
Executive Officer  
General Executive, Electronics Segment

Masaya Ikemoto  
Executive Officer  
General Executive, Automotive & Energy Segment

Naoki Yasuba  
Executive Officer  
General Executive, Life & Healthcare Segment

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Takahiro Okumura  
Executive Officer  
General Executive, Functional Materials Segment

Naoki Yasuba  
Executive Officer  
General Executive, Life & Healthcare Segment

Masaya Ikemoto  
Executive Officer  
General Executive, Automotive & Energy Segment

Naoki Yasuba  
Executive Officer  
General Executive, Life & Healthcare Segment

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

Fiscal 2016 Strategies and Results

During fiscal 2016, the Performance Chemicals Department engaged in measures to achieve goals in three main areas: (1) Build a stronger domestic business foundation; (2) Strengthen overseas business; and (3) Cultivate new businesses. A continued decline in oil and naphtha prices contributed to a challenging environment for building a stronger domestic business foundation. However, we focused our efforts on overseas product sourcing and selling customer products, making significant strides in sourcing products from China and other regions.

Overseas, our coating business continued to grow in China and in India, which we entered in 2015. In India, we used our coating plant in Surat, India, to expand our business in the region. In China, we strengthened our business foundation by launching new products and services.

We intend to make more effective use of the NAGASE Group network to strengthen our overseas business. We will expand our business selling to multinational paints and inks customers, while seeking more joint business and investment opportunities with local partners. One such example is Cytech, a company in which we made an equity investment during 2016. Here, we plan to focus on environmental compatibility in the development and expanded sales of release agents for urethane.

One way in which we will reform our profit structure is by strengthening our overseas business. While our urethane business struggled against local competitors in the Chinese market, we saw growth for our overseas customers.

To build a stronger domestic business foundation, we will focus on sourcing from both China and India. We will strive to improve sales of customer products, aiming for notable results in sales to overseas customers.

Fiscal 2017 Strategies

During the second year of our ACE-2020 mid-term management plan, we plan to continue to accelerate toward our three key goals, leveraging the value chain and network within the NAGASE Group.

Fiscal 2016 Strategies and Results

Fiscal 2016 was the first year of our new mid-term management plan ACE-2020. During the year, we worked to add high-value features to our traditional functions, emphasizing value to our business partners. As a result, we achieved targets and delivered higher profits in our core businesses, including compounding technologies, organic synthesis technologies, and polymer technologies.

To reform our profit structure, we recommitted to working with our business partners, holding a biweekly reform council meeting to uncover and create new business. We also brought in lecturers and conducted other training, which led to a change in value perception and attitude among our employees. These efforts have helped us instill a culture of volunteering ideas for new business models.

Fiscal 2017 Strategies

We will build our existing businesses to new levels, continuing to execute new strategies which include working with partners in business alliances and investments. As we develop new collaborations with customers based on their elemental technologies, we will strive to bring these new businesses to the market as quickly as possible. Our participation in the IBM consortium will be a step forward in using cognitive systems for building a platform strategy.

We will also set up a new Nagase ChemteX product market development team in our department, leading to deeper collaborative efforts between our organizations.

New PatinaLock™ Reactive Paint

Using rust prevention by rust is a new concept not found in current anti-rust paint. Based on this concept, we developed a reactive paint that brings a new dimension in maintenance management. We have discovered that we can inhibit the progression of common rust by creating a dense protective rust layer Patina with anticorrosion properties on a surface to be coated.

* V&C volatile Organic Compounds
Performance by Segment

Advanced Materials & Processing Department

NAGASE Market Strengths and the Business Environment

Digital Printing Supply Industry
- **Strengths**
  - Manufacturing bases in a highly specialized global network
- **Business Environment**
  - Materials and systems development in response to overseas expansion and new round of industry digitalization

Colors & Additives Industry
- **Strengths**
  - Relationships with top manufacturers, customers, and expertise in colors and dispersion processing
- **Business Environment**
  - Growing demand for dispersion processing and decoration overseas
  - Accelerating customer (Japanese companies) entry in overseas markets

Polymer Products Industry
- **Strengths**
  - Personnel with international experience and expertise in films, resins, molding, and masterbatch industries
  - Relationships with suppliers that have strong product lines
  - Information resources at numerous top-class business partners
- **Business Environment**
  - Diversification and rationalization of needs
  - Increasing awareness of safety and environmentally conscious products
  - Growth of medical, diagnostics, and nursing care markets

Fiscal 2016 Strategies and Results

Our functional film materials, dyes, and copolyester resins businesses recorded solid results for fiscal 2016. However, intensified competition in the thermal paper market had a negative impact on profitability among our manufacturing subsidiaries, while sales of functional dyes struggled. As a result, our consolidated earnings failed to achieve our targets.

Our inspection equipment business, which contributed to sales during fiscal 2015, was transferred to a different segment to optimize the structure of our total portfolio. We bolstered the FDCA cycle for a number of development projects that had fallen behind schedule, clearly defining the path toward commercialization.

Fiscal 2017 Strategies

The Colors & Advanced Processing Department exists midstream in the value chain as a part of the Advanced Materials & Processing Segment. From our position, we are able to match upstream seeds and downstream needs for markets, industries, and our clients.

During fiscal 2017, we plan to execute on the Identify and Develop concepts of the NAGASE Vision, focusing on business matching activities to find new business opportunities.

We intend to conduct fundamental trading company activities to delve deeper into the core businesses within the digital printing supply, colors & additives, functional film materials, and resin processing businesses in our department.

We will also seek potential opportunities to expand market supremacy for strategic products (pigments, additives, and resins) outside the borders of Japan.

At the same time, we will strive to improve our abilities as a vendor to provide trading, plus (basic and added value) functions that offer solutions to a variety of issues with which our customers struggle.

Further, we intend to strengthen cooperative business activities for cross-organization projects involving our department and NAGASE affiliates across a wide range of industries. We believe that personal, cross-department networks promote communication and perspectives based on different business experiences. We will leverage these networks to bring the power of our integrated business to bear and to strengthen our capacity to design businesses. These advancements will be an important link in training future business leaders in our department.

**TOPICS**

- **Copolyester Resin Tritan™**
  We expect to grow sales of copolyester resins as these products are embraced throughout the world as part of a trend to avoid environmental issues. We will engage in a number of measures to raise the profile of our copolyester resins among our customers and end users in the Japanese market.

**Unique Products**

**Critical Initiatives for Sustainable Growth**

**Fiscal 2016 Strategies and Results**

- Despite the negative impact of foreign exchange on earnings, fiscal 2016 operating income rose compared to the prior fiscal year.
- Sales of plastics within Japan for the office equipment, appliance, and video game device markets were higher, while sales of high-performance films for use in tablets also grew.
- These factors and profit improvements at manufacturing subsidiaries contributed to earnings in a major way.

- In China, Shanghai Huaxiang Trading Co., Ltd. contributed significantly to higher sales of high-performance resins in East China and continued business growth in our inland business.

- In Southeast Asia, our local entities reported strong sales to non-Japanese customers, outperforming targets.

**Fiscal 2017 Strategies**

Fiscal 2017 marks the second year of our ACE-2020 mid-term management plan. We see this year as a year of execution.

We intend to continue establishing market superiority for our core resins sales business by leveraging the NAGASE Group network.

In our compound business, we plan to deliver even greater levels of profits for existing businesses, while growing sales of our own high-value-added Denapolymer™ product.
Electronic Chemicals Department

NAGASE Market Strengths and the Business Environment

### Strengths

| Electronic Components (Communication Devices) | | |
|----------------------------------------------|----------------------------------|
| Epoxy sheet encapsulant material is a market share among the top three, and our new high-performance materials are based on unique Nagase ChemteX advanced formula- |
| | | |
| | tions technologies |

### Business Environment

- Growth in the communication device market in China and emerging economies
- Expanding next-generation high-speed communications networks

### Semiconductor Industry

- Total solutions provided through Nagase ChemteX high-value-added material and Pac Tech Group subcontracting services and equipment
- Rising demand related to Internet of Things, Artificial Intelligence, automotive, and medical devices markets

### Display Industry

- Advanced technological capabilities and leading positions in high-precision equipment and supply and management equipment
- Growing market for liquid crystal displays, OLEDs*2 in China

### Heavy Electric Machinery/Industry (Electricity/Railway)

- Fifty years of strong market share in high-performance, highly reliable materials markets in Japan
- Rising global demand for infrastructure, particularly among the emerging economies

### Energy & Environment Industry

- Group network capable of building upon a history of success in automotive, aircraft, rail cars, and send power generation to overseas markets
- Growing demand for lightweight composite materials

* OLEDs: Organic Light-Emitting Diodes
* OLEDs: Organic Light Emitting Diodes

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Electronic Materials Department

NAGASE Market Strengths and the Business Environment

### Strengths

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<th>Touch Panel Industry</th>
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### Business Environment

- While the market is growing, the focus of growth has shifted away from the advanced semiconductor manufacturing equipment toward the development of tools
- OLED becomes more popular, and versatility is also expected to be enhanced as a standard technology in the future. Smartphones are expected to become more specialized for particular uses.
- OLED*3) is becoming more entrenched in industrial electronics to become more important in both control devices and sensors (with added functions)

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Fiscal 2016 Strategies and Results

In our epoxy business, we recorded sales growth for smart- phone communication device sheet material, liquid resins that have become the de facto standard in semiconductor packaging, and heavy electrical materials for use in Japanese infrastructure. Our photolithography business experienced the smooth launch of a chemical manufacturing company in China, while our chemical management equipment business recorded strong results in the Japanese, Chinese, Taiwanese, and Korean markets. Our Pac Tech business contributed to earnings through its wafer bumping services in Europe.

Fiscal 2017 Strategies

The goal of the Electronic Chemicals Department for the final year of the NAGASE Group mid-term management plan is to integrate and optimally allocate technologies among our locations to supply high-value-added products through proprietary NAGASE technologies, contributing to the success of not only local communities and customers.

We have determined five target markets to pursue as defined under ACE-2020 for Nagase ChemteX and our core epoxy business: heavy electrical, light electrical, car electronics, micromechanics, and environment and energy. At present, we are generating concrete results in each of these areas. Towards further global expansion, we intend to construct new manufacturing bases in Europe, following our projects in China and North America.

In our photolithography business, we intend to expand Nagase ChemteX production bases for high-value-added products in the Chinese market, expanding our presence in the market for displays and the market for semiconductors, which is expected to grow over the long term.

We will strengthen the research and development functions in the United States for our Pac Tech business to create new technologies for semiconductor packaging, focusing on wafer bumping. As well, we intend to begin new development for electronic device packaging applications in connection with semiconductor manufacturing equipment.

The Electronic Chemicals Department will engage in a worldwide rollout of total solutions based on proprietary NAGASE Group technologies, stepping up the creation of businesses that provide special value to our customers.

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**TOPICS**

- **Equity Investment in INKRON LIMITED Leads to Strengthen Materials Development for Next-Generation Applications**

With development and manufacturing bases in Finland, Inkron Oy is a technology leader in next-generation silicone materials for displays, semiconductors, and printed electronics. Inkron is set for global expansion with the help of high-value-added products integrating Nagase ChemteX’s synthesis, compounding, and mass-production technologies.

- **Integrated Report 2017**

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**Electronic Materials Department**

NAGASE Market Strengths and the Business Environment

### Strengths

- **Smartphone and Tablet Businesses**
  - Low customer communication capabilities through global bases

- **Touch Panel Industry**
  - NAGASE network capabilities focused on East Asia
  - General handling of main materials

### Business Environment

- While the market is growing, the focus of growth has shifted away from the advanced semiconductor manufacturing equipment toward the development of tools
- OLED becomes more popular, and versatility is also expected to be enhanced as a standard technology in the future. Smartphones are expected to become more specialized for particular uses.
- OLED*3) is becoming more entrenched in industrial electronics to become more important in both control devices and sensors (with added functions)

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Fiscal 2016 Strategies and Results

Sales of silicon wafer production-related materials were strong throughout fiscal 2016. However, demand for materials used in displays and smartphones did not grow as we would have liked. At the same time, the strong yen had a significant negative impact on performance, which also contributed to lower revenues and profits for the department.

As competition intensifies in existing LCD markets, we have changed our department structure to accelerate development of products for new displays and nurture new businesses. Our glass processing business has nearly completed the shift in production from Taiwan to China.

We also launched a processing business for flexible display products in Taiwan. In Japan, we made advances in development for modules combining lenses and sensors incorporated into the Internet of Things.

Fiscal 2017 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. To shift to growth businesses, we bolstered our marketing of organic EL and flexible display materials. We also made gains in growing sales of silicon wafer production-related materials to the Chinese semiconductor market. During 2016, we developed a sensor module for lens-related applications. In fiscal 2017, we plan to make strides in adding value through this product and our distinctive super-wide-angle lens, among other products.

We plan to create business through investments by looking into finding flexible display-related products and new businesses. We have also started to participate in professional staff exchanges with other companies that possess elemental technologies in glass processing. This interchange is one way in which we hope to expand our presence in the glass processing field.

To exercise true global management, we plan to appoint leaders by project in each region, operating from a global perspective and training a new generation of leaders.

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**TOPICS**

- **Anti-Reflective/Anti-Glare Covers for Infinat Display Technologies**
  - We have introduced a new anti-reflective product for the infinat display market. Based on anti-reflective plastic sheets, this product can be used on flat surfaces or wrapped around curved surfaces to cover the display entirely. We market this product mainly for use in automobiles in display devices.

- **Polyimide Film Glass Lamination Processing**
  - Our industry has high expectations for the use of polyimide in organic EL and flexible displays. While polyimide is a challenging material to work with, we can make the job easier in each current stage of processing by bonding film temporarily to a glass substrate. We have started an alliance with several companies in Taiwan for this temporary bonding process. We plan to look into this field further with an eye toward future expansion.
Fiscal 2016 Strategies and Results
Fiscal 2016 was the first year of our ACE-2020 mid-term management plan. The year began with numerous challenges, including the Kumamoto earthquakes, fuel consumption manipulations, naphtha price decreases, the strong yen, and more. We also saw escalating costs in our interior components business. However, new initiatives in other components businesses and engineering plastic products for car electronics led to growing sales and a stronger business infrastructure. At the same time, we recorded continuing strong sales in east Asia, we moved forward in closing unprofitable businesses.
Fiscal 2016 Strategies and Results

The Life & Healthcare Products Department successfully achieved the fiscal 2016 target set under the ACE-2020 mid-term management plan by continuously focusing on foods and beverages, fragrances, cosmetics, toiletries, and pharmaceuticals and medical materials. In the food materials area, competitors gaining in power in Northeast Asia negatively impacted on our sales, and as a result, the division was unable to achieve its target. For fragrances and cosmetics, even though the number of inbound tourists in Japan decreased, our ingenious strategy and global big sales of Hayashibara’s AA2G™ (Stable version of Vitamin C) contributed to this achievement. The pharmaceuticals division also surpassed our sales target by promoting our business in the generic drug market which has been growing year after year. Additionally, in order for us to comply with global and domestic regulations in our business area, our regulatory organization became bigger by placing experts inside and outside of Japan.

Fiscal 2017 Strategies

Our commitment is to establish a reputation for NAGASE as a bio leading company following 3 core strategies: 1) global shift, 2) innovation, and 3) sustainability to achieve the target set under the mid-term management plan. We will take effective & specific actions for global growth. In our food materials business, to differentiate ourselves from competitors, we will develop more local friendly applications while introducing new materials and products to market. In fragrances and cosmetics, we are making greater progress as a “global distributor” to meet our customers’ needs by supporting them in the global market using IT promotion tools.

In pharmaceuticals, we will focus on growing domestic market for generics, while opening the door to the European and American markets for anti-cancer drugs. Further, we are investing in nucleic acids and antibody drugs, aiming to create a long-term business model.

On April 1, 2017, the Beauty Care Products Department transferred to Nagase Beauty Care Co., Ltd. to generate greater efficiency.

See the Nagase Beauty Care website for more information: http://nbc.jp/
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 99 companies in 22 countries and 6,241 employees worldwide as of the fiscal year ended March 2017. Today, overseas revenues represent 48.9% of our total business.

**Europe**
Net sales: ¥11.9 billion
Group companies: 3
Number of employees: 195

**Greater China**
Net sales: ¥193.7 billion
Group companies: 27
Number of employees: 1,463

**Japan**
Net sales: ¥369.3 billion
Group companies: 39
Number of employees: 3,678

**Asia**
Net sales: ¥1,019.1 billion
Group companies: 19
Number of employees: 690

**Americas**
Net sales: ¥29.5 billion
Group companies: 9
Number of employees: 185

**ASEAN and the Middle East**
Net sales: ¥15.6 billion
Group companies: 2
Number of employees: 30

**Other**
Net sales: ¥156.5 billion
Group companies: 27
Number of employees: 1,463

**Net Sales by Region (Japan/Overseas) and Overseas Sales to Net Sales (¥ hundred million) (%)**

- **Japan**
  - Net sales: ¥11.9 billion
  - Net sales (Japan): ¥11.9 billion
  - Net sales (Overseas): ¥369.3 billion
  - Overseas sales to net sales (Japan): 3,791
  - Overseas sales to net sales (Overseas): 3,630
  - Overseas sales to net sales (Overall): 0

- **Overseas**
  - Net sales (Japan): ¥11.9 billion
  - Net sales (Overseas): ¥369.3 billion
  - Overseas sales to net sales (Overall): ¥156.5 billion
  - Overseas sales to net sales (Overall): 48.9%

**Overseas Strategy Under Our 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 overseas Group sales through 2020. 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 human resources development which focuses on overseas market expansion (overseas marketing and production).
Regional Overview

Greater China

Including sales companies, manufacturing companies, and services companies, the NAGASE Group has more than 40 locations throughout Greater China (Mainland China, Hong Kong, and Taiwan). Our basic approach to business is to contribute to Group profit growth by delivering deeper for domestic demand and creating locally-originated businesses. At the same time, we work with prominent companies and leverage the comprehensive power of the NAGASE Group to create global business between and among our worldwide locations.

Fiscal 2016 Results

While our business grew for plastics and other products for automobiles, semiconductor-related products, and display-related products in fiscal 2016, sales of smartphone and tablet components were affected by downturns in certain markets.

Our business dealing with Nagase ChemteX products included strong sales of formulated epoxy resins. In 2015, NAGASE invested in Wuxi Chenghong Electronic Chemicals Co., LTD As a factory for this company came online, first-year sales of chemicals for liquid crystals progressed in line with our expectations.

In addition to sales of Hayashibara products (TREHA™, etc.), our business saw progress in the development of functional materials made by other companies. At the same time, our new business dealing in environment and infrastructure products (including volatile organic compounds/soil contamination) began making specific inroads with Japanese companies.

Fiscal 2017 Strategies

We plan to bolster initiatives with our main suppliers in our resin sales business, continuing to expand sales in the Chinese inland market. We are also developing decorative/functional materials to sell to non-Japanese customers in the automobile industry.

In electronics, we intend to use our local manufacturing functions to develop new applications and expand sales. At the same time, we will concentrate on developing products for OLEDs®, LCDs, and car electronics. In semiconductors, we plan to speed up marketing of functional materials, mainly focusing on NAGASE Group products and materials developed by our partners.

In our food business, we will work to grow sales of TREHA™, using this sales network to grow the market for functional foods in our region. Our environment and infrastructure business is defined as a Growth business. Here, we intend to continue pushing Japanese technologies and functional materials for their security and safety.

ASEAN and the Middle East

While the death of the king of Thailand was a major event during the year, economic confusion was not as great as some had feared, and economic activity in the country remained relatively calm in fiscal 2016. The region also experienced other significant political developments during the year, including the inauguration of a democratic government in Myanmar and the administration of the new president of the Philippines. Even in the face of these and other events, ASEAN held to its cooperative structure and the economy of the region grew. At the same time, the new U.S. administration has created dark clouds over the TPP and its anticipated effect on economic expansion. Meanwhile, greater direct investment into the region by China, steady growth in the Indian economy, and other locally-originated businesses contributed to make 2016 a year of major business opportunities.

Fiscal 2016 Results

Both sales and profits outperformed the prior year on a local currency basis, making for a quick start out of the box in the first year of the ACE-2020 plan. Our businesses are on growth paths in nearly every area of this region, and we are moving to a new stage in growth as we positioned to expand both our customer base and our sourcing infrastructure. The launch of business in Myanmar and restructuring in the UAE and Australia have set the stage for further regional expansion.

Fiscal 2017 Strategies

We expect continued significant growth in this region as we bolster our traditional trading business, while engaging with more speed to uncover and execute investment projects. We intend to invest in business infrastructure and train our employees to provide consistent, high-quality service to our existing business partners. Moving forward in cooperation business with prominent local companies and investing in businesses will be another key to our success during the year.

TOPICS Products for Displays and Semiconductors

During 2015, NAGASE & CO., LTD and Nagase Chemtech invested in Wuxi Chenghong Electronic Chemicals Co., LTD to boost research and development, manufacturing, and sales of electronic chemicals for the semiconductor, flat panel display, and other electronics fields. The Wuxi Chenghong Electronic Chemicals plant began operations, producing favorable results in the first year in dealing with chemicals for liquid crystals. We intend to make further inroads and expand across the Chinese continent in the future.

TOPICS Fostering Human Resources

In fiscal 2016, we began a human resource development program for mid-level staff at our local entities. As part of fostering human resources, those teaching in this program, those being taught, and our management will continue discussions throughout the year, considering the future of our businesses in the region. In promoting a company-wide branding project, we have started to create an organic network of ONE NAGASE relationships that spans international borders.

TOPICS Positive Franking Human Resources

During 2015, NAGASE & CO., LTD and Nagase Chemtech invested in Wuxi Chenghong Electronic Chemicals Co., LTD to boost research and development, manufacturing, and sales of electronic chemicals for the semiconductor, flat panel display, and other electronics fields. The Wuxi Chenghong Electronic Chemicals plant began operations, producing favorable results in the first year in dealing with chemicals for liquid crystals. We intend to make further inroads and expand across the Chinese continent in the future.
**Europe**

Global corporations in Europe are dealing with a number of issues, including Brexit, immigration, and more. Despite these issues, business growth in Europe is strong. Universities and research institutes here are ambitiously developing new technologies and products in electronics, energy, the environment, and other fields. These entities represent potentially important partners for Japanese companies.

**TOPICS**

- Application Development in the Electronics Field
- Critical Initiatives for Sustainable Growth

**TOPICS**

- Establishment of a Management Organization in the Americas
- Growing Korean-Led Businesses

**Major Market Trends**

The automobile industry drives activity in the European economy. As energy conservation and electrification in this industry accelerates, there is an impetus to shift production to the former eastern European region. We must act with haste in response to these developments, while minimizing risk to the greatest extent possible. In the life and healthcare field, we are an ongoing parade of mergers, acquisitions, and business tie-ups. We must leverage the NAGASE network to provide a global response to these developments.

**Fiscal 2016 Results**

Sales of our mainstay electronics and cosmetics products achieved targets for fiscal 2016 performance. We recorded growth for existing products, while also benefiting from the contribution of new businesses. Our core chemical products business continues to struggle in the face of competing Chinese products. Shifting to growth businesses is an urgent need for our business.

**Fiscal 2017 Strategies**

With the conclusion of the first year of the ACE-2020 mid-term management plan, we see that our profit structure has changed in a significant way. Looking forward to the second year of this plan, we intend to review our mid-term strategy in Europe, reallocating resources as appropriate. We will make more efficient use of resources in fields where growing product sales may be difficult. In fields likely to provide growth, we will strengthen our infrastructure to support the creation of a model for businesses developed originally within Europe. Further, we will engage with more speed in the automobile-related products that have been in development for the past several years. We will also work to rapidly market new applications for these products.

**Korea**

Korea represents an important market internationally. An export-based economy, Korea continues to show remarkable growth through investment and globally oriented, people-based management. Korea is positioned with superior access to the EU, the U.S., China, and ASEAN through free trade agreements, and the country has had a history of success in entering emerging markets.

**TOPICS**

- TOPICS Growing Korean-Led Businesses

- Critical Initiatives for Sustainable Growth

**Major Market Trends**

Mass production of ultra high-speed memory has begun in the semiconductor industry. 3D memory technology has led to the foundation of a new stage for growth, while the expanding adoption of OLEDs in smartphones has given the market for displays. Korea holds a near-monopolistic share of the global market for small- and medium-format OLEDs, and the country is making strides in the development of flexible screens. The automobile industry is globalizing further, extending out from the U.S. and Chinese markets.

**Fiscal 2016 Results**

Our mainstay automotive solutions business continued to perform well. Our newly established 3D printing business expanded throughout the year, while we sought out new applications for our products in coordination with local Group manufacturing subsidiaries. Looking toward the core businesses of our future, we invested in a capital venture fund and also made equity investments in companies that own unique manufacturing functions.

**Fiscal 2017 Strategies**

Our business portfolio strategy will consist of replacing assets, while concentrating resources on businesses deemed to be Focus businesses. In Central and South America, our plans call for expanding business in emerging markets and handling a wider range of NAGASE Group products. We will transition some products to local production and otherwise find ways to work more closely with our customers. Effective use of investments will help us not only uncover new technologies, but also acquire a strong customer base and sales network, accelerating our expansion in the region. Our focus of our efforts will be to strengthen our management infrastructure to support these activities.

**Americas**

The NAGASE Group has three local entities (six locations) and six Group manufacturing companies operating in the Americas. We expect stable growth to continue in the United States, with Mexico garnering more attention as a manufacturing center, and South America holding potential for future business. During 2016, we made new investments in manufacturing companies, expanding our manufacturing functions within the regional group.

**TOPICS**

- Application Development in the Electronics Field
- Critical Initiatives for Sustainable Growth

**TOPICS**

- Establishment of a Management Organization in the Americas
- Growing Korean-Led Businesses

**Major Market Trends**

While the U.S. automotive industry continued on a path of steady growth, we must keep an eye on any changes in regulatory trends introduced by the new administration. At the same time, we will continue to focus on eco-friendly products. We have also turned our attention toward food materials in response to ever-increasing trends in healthy lifestyle changes. In this area, we are strengthening our marketing activities in both North and South America.

**Fiscal 2016 Results**

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Our business portfolio strategy will consist of replacing assets, while concentrating resources on businesses deemed to be Focus businesses. In Central and South America, our plans call for expanding business in emerging markets and handling a wider range of NAGASE Group products. We will transition some products to local production and otherwise find ways to work more closely with our customers. Effective use of investments will help us not only uncover new technologies, but also acquire a strong customer base and sales network, accelerating our expansion in the region. Our focus of our efforts will be to strengthen our management infrastructure to support these activities.
Main Manufacturing and Processing Functions

Nagase ChemteX Corporation plays the central role in NAGASE Group manufacturing, leveraging our long-accumulated proprietary technologies in synthesis, compounding, biotechnology and evaluation. Our company is 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 customers. 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 much more highly-function, highly-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 the NAGASE Group.

Fiscal 2016 Results

Net sales for fiscal 2016 amounted to ¥25.61 billion (8% year-on-year increase), while operating income came in at ¥2.96 billion (62% increase). In electronics, we recorded strong sales of epoxy resins, including liquid sealants for semiconductor and direct encapsulation for high-end packages for high-frequency devices. Profits were higher, mainly due to higher net sales, production rationalization, and operating efficiencies designed to improve and strengthen our fundamentals.

Production Systems

Nagase ChemteX is striving to strengthen our production system, improving production planning accuracy and production efficiencies. With the goal of improving the safety awareness of all employees, we began an official safety awareness training program during fiscal 2015. We are currently engaging in business in promising new markets. Specific examples of next-generation manufacturing out of our Research and Development Head Office in fiscal 2016 included resin ink (stable performance in the additive manufacturing process) and ink for wiring. We are currently building up our supply structure for these products. We have started sample work for products under development in our life sciences business. These include biomaterials using precision organic synthesis technology and removal agents related to materials refining. We are working together with Hayashibara and other Group companies to leverage the wide NAGASE Group information network. At the same time, we are looking outside our own company, actively pursuing joint research and development with universities, research institutes, and other companies.

Research and Development Organization

One of the key policies of our mid-term management plan ACE-2020 is Portfolio Optimization. One means to accomplish this objective is to create new businesses, and we are currently engaged in building businesses in promising new markets. Specific examples of next-generation manufacturing out of our Research and Development Head Office in fiscal 2016 included resin ink (stable performance in the additive manufacturing process) and ink for wiring. We are currently building up our supply structure for these products. We have started sample work for products under development in our life sciences business. These include biomaterials using precision organic synthesis technology and removal agents related to materials refining. We are working together with Hayashibara and other Group companies to leverage the wide NAGASE Group information network. At the same time, we are looking outside our own company, actively pursuing joint research and development with universities, research institutes, and other companies.

Fiscal 2016 Operations

The Functional Resin Business is engaged in product development and manufacturing based on advanced formulated epoxy technologies. We recorded higher sales of resin for use in hydrogen fuel cell tanks in fuel cell vehicles, sealants for car electronics (used in eco-friendly cars), and coating materials for low-power chip components. This growth is mainly in response to rising trends for environmentally friendly, energy-saving materials. We recorded significant growth in molding compound for semiconductors, where we introduced new applications in all types of fan-out wafer-level packaging uses. Sales were also strong for sheet encapsulation for high-package for high-frequency devices, as well as sealants for displays. We have also conducted our own materials development and pioneered new applications, expanding our business through exhibitions and other marketing channels.

The Photolithography Materials Business is engaged in product development and manufacturing activities based on the technology and know-how developed in the chemical business for liquid crystals and front-end processing for semiconductors. Sales of stripping agents for displays were strong during fiscal 2016, coupled with growth in photomask sales. During the year, we began development of new resins in cooperation with universities. The project has been moving forward at a satisfactory pace. We have completed the work for our manufacturing bases in Taiwan and China, which are now engaged in stable operations. We will improve the speed of evaluations by establishing a laboratory in Taiwan, and we are also looking into locating a new manufacturing base capable of handling our new flat panel factory construction plans in China. The Photolithography Materials Business is engaged in product development and manufacturing activities based on the technology and know-how developed in the chemical business for liquid crystals and front-end processing for semiconductors. Sales of stripping agents for displays were strong during fiscal 2016, coupled with growth in photomask sales. During the year, we began development of new resins in cooperation with universities. The project has been moving forward at a satisfactory pace. We have completed the work for our manufacturing bases in Taiwan and China, which are now engaged in stable operations. We will improve the speed of evaluations by establishing a laboratory in Taiwan, and we are also looking into locating a new manufacturing base capable of handling our new flat panel factory construction plans in China.

The Performance Chemicals Business is engaged in development and manufacturing activities for functional materials based on unique organic synthesis technologies, polymerization technologies, and compounding technologies. In our epichlorohydrin derivatives business, we used the compounding technology to develop new polyfunctional/fully water-soluble epoxy and low-chlorine epoxy. We have also made strides in developing new products using the characteristics of these materials, including film coatings, fiber processing, and other applications. We are moving forward in product development for a multi-function Damnon, a product that will add secondary characteristics of stiffness, openness, and water repellency, among others, to the anti-static version of our transparent conductive coating Damnon product for display applications. We are also developing touch panel and bio sensor features for our highly conductive version of this product, delivering on concepts of simplicity and flexibility.

The Bio Chemicals Business manufactures and sells our proprietary enzyme products, mainly to customers in the food industry. During fiscal 2016, we developed food enzymes for use in bread making, confectionery, and meat tenderizing. These were just some of our activities in proposing value-added products and applications to our customers. In particular, we began sales of DENABAKE™ EXTRA in October 2016. This product was the result of joint development between Nagase Chemtex and NAGASE Group company Hayashibara. Ongoing productivity improvements allowed us to achieve higher levels of profitability for our main products.

Fiscal 2017 Strategies

Fiscal 2017 is the second year of our ACE-2020 plan. We will continue to strive to improve under the four key policies of this plan: (1) Portfolio Optimization; (2) Expand and Strengthen revenue base; (3) Mindset; and (4) Strengthen Management platforms. We plan to use our main opportunities to strengthen our businesses by clearly defining our profit structure, reducing costs, and consolidating product sets. At the same time, we will aim to create new businesses through active investment and accelerated development activities.

The NAGASE equity investment in Finnish development and manufacturing company Interpek (most generation products for displays, semiconductors, and printed electronics) will allow for more access to that company’s technologies, as well as more opportunities for joint development. We intend to leverage this partnership to strengthen our businesses in the display, touch sensor, and wearables markets. We also intend to strengthen our manufacturing infrastructure in terms of operating safety, manufacturing technology, and quality assurance.

production planning accuracy and production efficiencies. With the goal of improving the safety awareness of all employees, we began an official safety awareness training program during fiscal 2015. This program offers practical training for all employees at our Harima facility, as well as for employees of neighboring companies. During fiscal 2016, we installed new sludge reduction equipment to lower disposal costs related to factory waste water.
Our business is divided mainly into two categories. Our Saccharides Business leverages biotechnology to manufacture and sell food materials (TREHA™, Hayashibara Hesperidin S, and Fibryxa™ (isomaltodextrin)), cosmetics materials (AA2G™ (stabilized vitamin C)), and pharmaceutical materials (maltoze). Our Fine & Wellness Business utilizes organic synthesis technologies to offer products in commercial photography and display, as well as pharmaceuticals (LUMIN™-A), in-vitro diagnostics, and other products in the life sciences field.

To be more global, we intend to strengthen new materials development and application 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. This is just one of the ways in which we are building a support structure for customer product development. Japanese products have a reputation for reliable quality in overseas markets. In addition to this reputation, we offer added value to our customers through stable supply, 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.

Fiscal 2016 Results

Net sales for fiscal 2016 amounted to ¥23.85 billion, which was a 1% decrease compared to the prior year. This decrease was mainly due to the impact of intensified competition overseas. On the other hand, operating income rose 3% to ¥4.63 billion, mainly due to controlled manufacturing costs arising from lower main raw materials and energy costs.

Production Systems

We began operations of two new plants to replace the former Okayama Plant I, establishing systems to supply products reliably and safely through state-of-the-art manufacturing facilities. We added to our capacity to manufacture TREHA™ at our Okayama Functional Saccharide Plant, T Building. This new addition began operations in September 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 FSSC 22000, ISO 9001, and GMP. To answer customer requests from overseas, we are making progress toward Kosher and Halal certification.

Fiscal 2017 Strategies

Under the ACE-2020 mid-term management plan, we are executing a basic strategy of pursuing clear growth markets and regions globally. Most 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 overseas, where the markets are growing. We are also making advancements in developing new functions for our core functional products, including Fibryxa™, Hayashibara Hesperidin S, and Astofresh™, preparing to introduce them to appropriate markets.

On the production front, we are sharing 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 here, we plan to further deliver added value combining our own materials, utilizing government-academic-industry projects, and contributing to a healthier and happier society.

Hayashibara Co., Ltd.
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 innovation. In doing so, the center will continue to create the seeds of new businesses not yet conceived of in our current operations. The watchwords of the Nagase R&D Center are "unique, independent, and innovative." 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

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 that we hope will one day become new businesses. In fiscal 2017, we plan to strengthen ties with universities and affiliated 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. Further, we are aiming for the early achievement of technological milestones in functional material and components under development, working with development partners both in Japan and overseas.

Fiscal 2017 Strategies

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Intellectual Property Administration and Usage

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

Fiscal 2017 Strategies

Throughout fiscal 2016, we received inquiries and requests from customers, materials manufacturers, and processing companies based on our reputation for conducting applied technology development that meets market needs. We received new projects from more than 200 companies, in addition to more than 300 requests for testing and development. Intellectual property activities included five patent applications and four acquisitions of rights. In addition, we actively pursued collaboration with companies inside and outside the NAGASE Group, universities, and other external research institutes.

Achievements in Fiscal 2016

- Discovery of a method to improve substance productivity by new microorganisms (patented).
- Development of a manufacturing method for functional material fentin (patented).
- Production method for new cosmetic ingredients using actinomycetes (patented).
- Academic presentation about the efficient production of UV-absorbing substance Shinmore via actinomycete streptomycetes lividans.
- Academic presentation about a method to improve substance productivity focusing on FHA activity (Patent.

*Number of projects during fiscal 2016. Projects listed under the Nagase Application Workshop name do not include licenses or other intellectual properties.

Nagase Application Workshop

The Nagase Application Workshop (NAW) is home to specialized equipment and expert staff capable of conducting raw material analysis, application development, and final product formulation for plastics and coating materials. This organization is responsible for technological development, incubation, and technological training. The NAW continues to pursue surface decoration and functional properties in the fields of plastics and coatings.

Development History

The 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, contributing to the real and perceived value of the NAGASE name. During fiscal 2017, we plan to expand our cooperative business development with other divisions and affiliated companies in Japan and overseas. In particular, we are targeting the commercialization of a carbon hybrid™ coating system and a high-drying polyethylene, among other projects.

Our goal is to discover 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.

TOPICS

Development of a Carbon Hybrid™ Coating System

As the world moves to limit emissions of VOCs, pollutants and threats to human health, the NAW is developing a carbon hybrid™ coating system that will reduce paint and paint thinner VOCs by 90%. This coating system replaces paint thinner with liquid carbon dioxide as a solvent-based coating (Fig. 1, 2) to reduce VOCs by a significant amount. In contrast to water-based and powder-based coatings, this method is expected to reduce VOCs while also increasing coating efficiency. The use of liquid carbon dioxide offers a number of advantages to paint thinner: (1) Not harmful to human health; (2) Low environmental footprint; (3) High solubility, viscosity reduction, and volatility; and (4) Cost savings. 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, environmentally 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.
Critical Initiatives for Sustainable Growth

**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**

**Basic Stance on Diversity**

The NAGASE Group believes that diversity is an important part of its overall corporate strategy.

The NAGASE Group currently employs a diverse range of personnel who differ in terms of gender, nationality, age, values and lifestyles. Respect for the ideas and views of a diverse range of employees encourages more dynamic internal discussions and leads to new ideas that become the source of competitive advantage in the market. This in turn leads to the growth of the company and employees. Thus, we are reforming mindsets and establishing systems to accomplish this.

**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.

During fiscal 2016, we formed a subcommittee consisting of members from a variety of backgrounds to discuss “Diversity Management.” More specifically, members discussed the influence of diversity in the future of the NAGASE Group and how we can be more receptive to diversity (Diversity and Inclusion). Based on these discussions, the subcommittee proposed goals and the direction of future policies for embracing diversity within the NAGASE Group.

**Themes for Diversity Promotion**

1. **Educational Programs**
   - Periodic messages from top management and broadcasts of related information
   - Introduce the NAGASE Management Philosophy, NAGASE Vision, and NAGASE Way deeply into NAGASE Group employees.

2. **Diversity in Organizations and Individuals**
   - Improve global communications
   - Support employees’ career development
   - Continue employing non-Japanese people and women as main career track staff and improve our corporate culture

3. **Develop Good Places toWork**
   - Instill awareness and activate initiatives for continuity and productivity improvements
   - Support employees who are dealing with home care or other challenges

**Work-Life Balance**

**Basic Stance on Work-Life Balance**

We believe that work-life balance is a critical part of respect diversity. Establishing a workplace environment in which it is easy for employees from a wide variety of backgrounds to work enables achieving a working style that has a balance between professional and private lives, connects to fulfilled work and living, and we take this to be beneficial for both the company and employees. Thus, we are promoting mindsets and establishing systems to accomplish this.

**Human Resource Development**

**The NAGASE Group HR Development Policy**

NAGASE Group HR development programs consist of an organized combination of on-the-job and off-the-job training. On-the-job training lets employees experience real-world work in a variety of roles to gain new knowledge and skills. Off-the-job training also involves training and gaining skills through both formal lectures and self-directed learning.

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

**Organization-Wide HR Development to Promote Group Function**

We offer Group-wide HR development programs based on research as well as improved head office-based training for overseas national staff designed to more fully deliver the NAGASE Group functions.

**Work-Life Balance Initiatives**

The monthly meeting of the Health Committee includes discussions related to flexible work schedules, encouraging paid time off, and reducing overtime. The committee uses results of workplace surveys as a basis for labor-management talks regarding creating a workplace environment that is more amenable to work-life balance.

We expect to see more women excelling in the workplace, as well as increasing employees who also provide in-home care for family members. Accordingly, our aim is to develop a practical system allowing employees more choices about work arrangements as they go through different stages in their lives.
Critical Initiatives for Sustainable Growth

Major Policies

- Strengthening Management Capabilities and Operating Skills and Fostering Globally Proficient Personnel
- Promote globalization
- Train managers
- Instill shared values

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.

Promote globalization
- Assign employees to overseas entities
- Send employees to business school or MBA training
- Offer English language training support

Train managers
- Programs to sharpen our competitive ability (send employees to business school or MBA training, etc.)
- Offer shared value workshops for managers
- Conduct specific training as the external business environment changes, we will continue to revise and improve our training programs.

Instill shared values
- Provide shared value workshops in rank-specific training
- Offer English language training support

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, Nishinihon Nagase, Nagase Eles and Nagase-OQ 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 are engaged in environmental activities. These firms include Nagase Chemtex Corporation, Nagase Medicals Co., Ltd., Totoku Industries, Inc., Nagase Techno-Engineering Co., Ltd., Nagase Techno Service Co., Ltd. and Fukas Yamada Chemical Co., Ltd.

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

Staff Development Program

<table>
<thead>
<tr>
<th>For Main Career Track Staff, Specialized Position Staff, R&amp;D Position Staff</th>
<th>For National Staff</th>
<th>For Clerical Position Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>General/Manager</td>
<td>Division Manager</td>
<td>Section Manager</td>
</tr>
<tr>
<td>Mandarin</td>
<td>MBA (NAGASE Management Program)</td>
<td>Manager Training</td>
</tr>
<tr>
<td>MBA Basic Education Program</td>
<td>Approver Training</td>
<td>Approver Training</td>
</tr>
<tr>
<td>Manager Candidate Training</td>
<td>Management Skills Seminar</td>
<td>Management Skills Seminar</td>
</tr>
<tr>
<td>Overseas Business On-the-Job Training</td>
<td>SA Training (Promotion)</td>
<td>SA Training (Promotion)</td>
</tr>
<tr>
<td>Leadership Training</td>
<td>Basic Management Program</td>
<td>Business Skills Training</td>
</tr>
<tr>
<td>Core/Skill Training</td>
<td>Office Systems Training</td>
<td>Office Systems Training</td>
</tr>
<tr>
<td>Introductory Training</td>
<td>Basic Practical Skills Seminar</td>
<td>Introductory Training</td>
</tr>
</tbody>
</table>

Number of Participants in Main Training Programs

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Rank-Specific Training</td>
<td>873</td>
<td>796</td>
<td>699</td>
</tr>
<tr>
<td>Overseas Training</td>
<td>17</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Selective Training</td>
<td>21</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Business Leadership Program for Overseas National Staff</td>
<td>39</td>
<td>37</td>
<td>36</td>
</tr>
</tbody>
</table>

Environmental Management

Environmental Management Structure

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 in 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-saving awareness within the Company.
Critical Initiatives for Sustainable Growth

Environmental Policy

- Comply with all environmental laws, regulations and other rules
- Develop businesses that give full consideration to environmental issues
- Fulfill our responsibilities as a good corporate citizen
- Environmental management systems and continuous improvement
- Disclose and make the relevant parties fully aware of our Environmental Policy

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 a 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. We use automated environmental impact reducing electricity usage and have implemented energy conversation measures. We will work together with public institutions, industries, and local communities to promote environmental conservation measures that are suitable for the NAGASE Group.

Environmental Performance Data

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Electricity Usage (kWh)</td>
<td>5,861,177</td>
<td>6,110,367</td>
<td>6,131,628</td>
</tr>
<tr>
<td>Paper Usage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper Usage (1,000 sheets)</td>
<td>7,264</td>
<td>6,007</td>
<td>5,431</td>
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<tr>
<td>Paper Usage (t)</td>
<td>31.0</td>
<td>25.8</td>
<td>23.4</td>
</tr>
<tr>
<td>CO2 Output (t-CO2)</td>
<td>2,826</td>
<td>2,494</td>
<td>3,197</td>
</tr>
<tr>
<td>CO. Output (t-CO2)</td>
<td>2,826</td>
<td>2,494</td>
<td>3,197</td>
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Waste and Recycling

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td>Waste (t)</td>
<td>188</td>
<td>217</td>
<td>189</td>
</tr>
<tr>
<td>recycling (t)</td>
<td>149</td>
<td>183</td>
<td>148</td>
</tr>
<tr>
<td>Recycling Ratio</td>
<td>79.5%</td>
<td>84.1%</td>
<td>78.6%</td>
</tr>
</tbody>
</table>

Activities Undertaken by Nagase Chemtex

The slogan of the core NAGASE Group manufacturing subsidiary Nagase Chemtex K.K. is, “We are a green company and want to help make the world greener.” Nagase Chemtex is actively engaged in environmental activities, one of which is the creation of company-wide energy conservation organization that drives energy-saving activities. During fiscal 2016, a working group at each business unit level was responsible for reducing energy output by at least 1% setting conditions for energy reduction according to equipment, manufacturing processes, and operating rules.

CO was reduced by 10% of used electricity during July, August, and September. We achieved that goal for all three months of the contract.

Fair Business Practices

Basic Compliance Policy

The NAGASE Group is a member of society and, as such, it is our duty to behave in a manner that keeps with the role of maintaining good and fair business practices and providing society with the goods and services it needs. Through established growth and development, NAGASE can improve the welfare of its employees, while making a contribution to society.

Based on this corporate philosophy, NAGASE has adopted and will implement the following Basic Compliance Policy.

- Compliance with laws, regulations, and internal rules and regulations
- Corporate activities will be conducted fairly and in good faith, in accordance with laws and rules, and without any deviation from social standards.
- Business activities will be conducted in accordance with the rules of the international community to ensure the continuing growth and development of NAGASE as a global enterprise.
- Elimination of anti-social elements that threaten public order and safety will be met with firmness and resolutely eliminated.
- Provision of goods and services that are useful to society
- NAGASE will contribute to society by supplying goods and services that are useful to society.

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 particular areas by formulating rules and implementing training. The Company also works through the Risk Management & Compliance Committee to develop systems and departments responsible for additional risks that materialize and strives to lower the risks that could impact the Company's business.

In addition, the Risk Management & Compliance Committee formulates the basic compliance policy to maintain the Company’s compliance system and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the NAGASE Group Code of Conduct. Should employees of NAGASE or its Group companies become aware of legal or other compliance issues, they 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 communicational 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.

- Respect for the qualities and individuality of employees
- NAGASE will respect the autonomy and creativity of every employee and foster a corporate culture in which those qualities can be applied to corporate activities.
- NAGASE will protect its employees’ health, respect their human rights, treat them fairly and without discrimination, and secure and provide safe and enriching work environments.
- Disclosure of information to stakeholders
- NAGASE will strive to ensure transparency by fairly and actively disclosing corporate information to stakeholders, including customers, suppliers, employees and shareholders.
- Preserving the global environment
- NAGASE recognizes its responsibility to maintain the global environment in a better condition and will act in accordance with that responsibility.
**Fair Business Practice Initiatives**

- **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 an issue, particularly for manufacturing firms, the NAGASE Group actively conducts education activities, mainly for its 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. The NAGASE Group intends to strengthen its approach to the prevention of bribery of sales agents through a variety of means to keep this risk in the forefront of the minds of our employees.

- **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 require measures 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 agents to manufacturing/processing and manufacturer investment, we will increasingly be called upon to assume responsibility for quality assurance.** To assist in this area, the Company established the Quality Assurance Support Team within the Intellectual Property Office (currently the Legal Division) in December 2010. The Quality Assurance Support Team manages vendors and contracted manufacturers, supporting Group manufacturing companies and conducting internal training.

  - **Security Trade Controls**
    As a trading company specializing in technology and information and which also carries out export business activities, mainly of chemical products and precision equipment components, NAGASE has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. The Item Compliance Management Section of the Logistics Management Division serves as the office of the Security Trade Control Committee. Furthermore, the Item Compliance Management Section 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 Section are held as deemed appropriate.** At these meetings, the Security Trade Control Committee works to understand the export control situation, follow the latest revisions to the Foreign Exchange and Foreign Trade Control Law and ascertain a detailed picture of export controls across the entire Group while formulating related Group policies.

- **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 the Foreign Exchange and Foreign Trade Control Law and the U.S. Export Administration Regulations. Only those products approved by the Item Compliance Management Section are put into the system as products allowed for export.

  - **Moreover, once a 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 of products that are military-related items or that have military applications.** We also make the NAGASE Group fully aware of Group policies to prevent any exposure to security export control risks.

- **Efforts to Promote Personnel Development**
  - **Every year, the practical business of security trade controls becomes ever more complex.** To keep pace with developments, the NAGASE Group encourages its employees—primarily those involved in export operations—to become Security Trade Control Associates by taking the exam offered by the Center for Information on Trade Controls (CITEC). As of March 2017, NAGASE had 856 qualified STC Associates in 21 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 products. All products we deal in are subject to the management system administered by the Item Compliance Management Section within the Logistics Management Division. This allows us to comply properly with any laws or regulations that affect our products.

**Framework for Compliance with Product Laws and Regulations**

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 with appropriate 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 procured in compliance with these guidelines.

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

The NAGASE Group deals in more than just chemical products. We also manufacture and sell enzymes and other food products and cosmetics under strict quality management and effective sales systems. On this page, you will find examples of Group companies that focus on the security, safety, and trust of our customers. Read more about Nagase ChemteX and how the company reduces its environmental impact and ensures food security and safety, while dealing in electronics-related materials and food materials.

We also highlight Nagase Beauty Care, a NAGASE Group company that deals in cosmetics and health food.

Green Company Initiatives

Nagase ChemteX is engaged in two pillars of environmental management based on ISO 14001: Green Company (aiming to be a company that does not negatively impact the environment) and Green Technologies and Products (reducing the overall impact of society on the environment by developing and manufacturing environment-friendly products). Nagase ChemteX pays particular focus to not using (or reducing the usage of) hazardous chemical substances subject to intensified regulations worldwide (substances restricted under the RoHS Directive, substances of very high concern regulated under REACH, etc.). The company strives to provide products that customers can use with safety and confidence throughout the product life cycle.

Cosmetics Safety and Security

To contribute to building a welcoming society in which people can live in peace and safety, Nagase ChemteX believes food safety and security is a quality assurance concept for which there can be no compromise. To ensure food safety and security, our Fukuchiyama Plant, which manufactures food additives and health food materials, is subject to strict management as a member of the food chain, from the acceptance of raw materials and manufacturing to quality assurance and product delivery. These practices incorporate Food Additive Good Manufacturing Practices and FSSC 22000 (voluntary adoption), based mainly on ISO 9001 standards. Through these measures and more, we earn the trust of our customers by delivering safe, high-quality products.

The company is also expanding its lineup of Kosher and Halal certified products to answer the needs and concerns of even more customers across the world.

Food Safety and Security

For Consumer Safety and Security

To contribute to building a welcoming society in which people can live in peace and safety, Nagase ChemteX believes food safety and security is a quality assurance concept for which there can be no compromise. To ensure food safety and security, our Fukuchiyama Plant, which manufactures food additives and health food materials, is subject to strict management as a member of the food chain, from the acceptance of raw materials and manufacturing to quality assurance and product delivery. These practices incorporate Food Additive Good Manufacturing Practices and FSSC 22000 (voluntary adoption), based mainly on ISO 9001 standards. Through these measures and more, we earn the trust of our customers by delivering safe, high-quality products.

The company is also expanding its lineup of Kosher and Halal certified products to answer the needs and concerns of even more customers across the world.
In the first year of our ACE-2020 mid-term management plan, we engaged in Reform of Corporate Culture and Reform of Profit Structure, taking a first, solid step toward becoming the company we envision for ourselves.

Representative Director and Senior Managing Executive Officer

Mitsuro Naba

Basic Policy

Our ACE-2020 mid-term management plan guides us through the five years to the fiscal year ending March 2021. Our goals under this plan are to reach at least ¥1 trillion in consolidated net sales, at least ¥30 billion in consolidated operating income, and an ROE of at least 6%. We use improved return on invested capital (ROIC) as a benchmark, focusing on measures that contribute to an improved net income ratio (before taxes) and ROIC.

By investing in and financing our manufacturing functions, research and development, technology and information, and global network, we aim to create uniqueness and competitive advantage, improving the core of our businesses and building corporate value.

Capital Procurement

Under ACE-2020, we expect to invest ¥100 billion over five years to grow our businesses. For fiscal 2016, our investments amounted to ¥14 billion. 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., LTD. 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

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 the consolidated payout ratio and consolidated dividend to equity ratio.

Our initial forecast for fiscal 2016 dividends was ¥32 per share. However, we raised that figure to ¥33 per share, based on our most recent earnings and financial condition. For fiscal 2017, we forecast a ¥35 per share dividend.
Six-Year Summary
NAGASE & CO., LTD. and Consolidated Subsidiaries (Fiscal years ended March 31, 2012–2017)

About the NAGASE Group

Leading Us to the Future
Performance by Segment
Unique Products
Critical Initiatives for Sustainable Growth
Financial and Corporate Information

As of the Fiscal Year-End:

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<tbody>
<tr>
<td>Interest Coverage Ratio (Times) (Note: 2)</td>
<td>21.26</td>
<td>15.46</td>
<td>15.8</td>
<td>17.86</td>
<td>18.69</td>
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<td></td>
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<tr>
<td>Current Ratio (%)</td>
<td>155.4</td>
<td>184.4</td>
<td>187.2</td>
<td>187.0</td>
<td>200.1</td>
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<td>Debt to Equity Ratio (Times)</td>
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<td>0.38</td>
<td>0.35</td>
<td>0.32</td>
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<tr>
<td>Shareholders’ Equity Ratio (%)</td>
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<td>46.9</td>
<td>49.5</td>
<td>51.5</td>
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<tr>
<td>Return on Equity (ROE) (%)</td>
<td>4.2</td>
<td>6.5</td>
<td>4.9</td>
<td>4.3</td>
<td>4.4</td>
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<td>17.86</td>
<td>18.69</td>
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Note 1: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥121.8 to U.S. $1.00, the approximate rate of exchange prevailing on March 31, 2017.

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

Management’s Discussion and Analysis of Operations and Finances

Business Lines and Scope of Consolidation

The NAGASE Group imports and exports a diverse array of products and engages in domestic transactions, with NAGASE & CO., LTD. (the “Company” or “NAGASE”) at its center. In addition, the NAGASE Group manufactures and sells products and provides services. These businesses are conducted by 99 related companies, consisting of 68 subsidiaries and 31 affiliates. The scope of consolidation includes 59 subsidiaries as well as 21 affiliates, which are accounted for by the equity method.

Overview of Results

Net Sales

Despite weakness in personal spending, improved corporate earnings, employment, and payrolls led to a gradual recovery in the economy of Japan during the current consolidated fiscal year. The global economy continued to grow at a moderate pace, despite slowing growth in China and other emerging economies. Other worrisome factors include uncertainty surrounding the economic and trade policies of the new U.S. administration and the impact of the British exit from the EU.

In this environment, the Company recorded domestic sales of ¥722.38 billion for the consolidated fiscal year, which represented a 1.7% increase over the prior year. Overseas sales, impacted by the comparatively strong yen, fell to ¥353.01 billion (6.9% decrease). In total, the Company recorded ¥10.33 billion in net sales, a decrease of 2.7% compared to the prior fiscal year, up to 12.7%, while the operating margin amounted to 2.1%.

Ordinary income amounted to ¥16.36 billion (11.0% decrease). The ratio of ordinary income to net sales fell 0.2 points to 2.3%.

Profit attributable to owners of the parent amounted to ¥10.33 billion, compared to ¥96.96 in the prior year. Earnings per share was ¥81.65, compared to ¥92.08 in the prior year.

The Company recorded profit before income taxes of ¥989.36 billion for the consolidated fiscal year, which represented a 1.7% increase over the prior year. Operating income amounted to ¥15.03 billion, a decrease of 16.6%. This decrease was mainly due to an increase in retirement benefit expense in connection with the amortization of actuarial losses. As a result, the gross profit ratio rose 0.3 points compared to the prior fiscal year, up to 12.7%, while the operating margin amounted to 2.1%.

Ordinary income amounted to ¥16.36 billion (11.0% decrease). The ratio of ordinary income to net sales fell 0.2 points to 2.3%.

Gross Profit and Operating Income

Gross Profit and Profit Attributable to Owners of the Parent

The Company recorded gross profit of ¥91.58 billion (0.2% decrease) in conjunction with lower revenues. Operating income amounted to ¥15.03 billion, a decrease of 16.6%.

Profit attributable to owners of the parent amounted to ¥10.33 billion (16.1% decrease). Return on sales decreased 0.2 points to 1.4%, while earnings per share were ¥81.65, compared to ¥92.08 in the prior year.

Profit attributable to owners of the parent (Note 1)
As a result, the segment recorded sales of ¥242.6 billion for the year, representing a ¥12.89 billion (5.0%) decrease compared to the prior consolidated fiscal year. Meanwhile, operating income increased ¥10 million (0.2%) to ¥9.09 billion, mainly due to improved product mix and cost reduction measures at domestic manufacturing subsidiaries.

### Financial and Corporate Information

As a result, the Automotive & Energy segment recorded sales of ¥12.95 billion for the year, representing a ¥2.39 billion (2.1%) decrease compared to the prior consolidated fiscal year. Operating income for the segment was ¥1.53 billion, representing a ¥230 million (18.4%) increase. This increase was mainly due to the profit improvements at domestic manufacturing subsidiaries.

### Cash Flows from Operating Activities

Cash flows from operating activities for the consolidated fiscal year amounted to ¥14.52 billion. While the Company paid ¥7.73 billion in income taxes, it also recorded profit before income taxes of ¥4.1 billion and depreciation and amortization in the amount of ¥9.38 billion.

### Cash Flows from Investing Activities

Cash used in investing activities during the consolidated fiscal year amounted to ¥6.51 billion. This result was mainly due to cash outlays of ¥11.53 billion for purchases of property, plant and equipment and intangible fixed assets, as well as ¥7.82 billion used for purchases of investments in securities. These factors offset cash proceeds of ¥4.65 billion in proceeds from sales of investments in securities.

### Cash Flows from Financing Activities

Cash used in financing activities for the consolidated fiscal year amounted to ¥10.59 billion. This result was mainly due to ¥9.18 billion in repayments of long-term loans and ¥4.05 billion in dividend payments.
Management's Discussion and Analysis of Operations and Finances

Summary of the Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
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</table>
| Total assets increased by ¥18.69 billion, up to ¥318.77 billion as of the end of the consolidated fiscal year. Current assets amounted to ¥221.21 billion. This represented an increase of ¥9.88 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in notes and accounts receivable in excess of decreases in cash and time deposits. Non-current assets amounted to ¥209.95 billion, up ¥9.81 billion. Although the Company sold shares of affiliates during the period, the period’s higher fair values for shares retained resulted in an increase in investments in securities. As a result of these various factors.

Net Assets | Liabilities amounted to ¥235.57 billion, a ¥2.64 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in notes and accounts payable and long-term deferred tax liabilities.

Current liabilities increased ¥10.37 billion compared to the end of the prior fiscal year, amounting to ¥166.49 billion. This increase was mainly due to increases in short-term loans and current portion of bonds. Long-term liabilities decreased ¥7.73 billion to ¥69.08 billion. This decrease was mainly due to a decrease in bonds. As a result, working capital increased from ¥161.45 billion at the end of the prior fiscal year to ¥167.89 billion. Prepaid cost recovery increased ¥3 billion compared to the prior year,主要是由于预先支付的费用的增加。

Working Capital / Prepaid Cost Recovery | Shareholders’ Equity Ratio / ROE
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<tr>
<td>2013</td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
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<tr>
<td>426.74</td>
<td>498.14</td>
<td>546.52</td>
<td>512.08</td>
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<td>1.15</td>
<td>1.24</td>
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<td>1.27</td>
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<td>26.6</td>
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Shareholders’ Equity Ratio (Left scale) | Working Capital (Left scale) | Prepaid Cost Recovery (Right scale)
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<tr>
<td>2013</td>
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<td>486.7</td>
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<td>546.5</td>
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Working Capital / Prepaid Cost Recovery

■ Assets

Total assets increased by ¥18.69 billion, up to ¥318.77 billion as of the end of the consolidated fiscal year. Current assets amounted to ¥221.21 billion. This represented an increase of ¥9.88 billion compared to the end of the prior consolidated fiscal year, mainly due to increases in notes and accounts receivable in excess of decreases in cash and time deposits. Non-current assets amounted to ¥209.95 billion, up ¥9.81 billion. Although the Company sold shares of affiliates during the period, the period’s higher fair values for shares retained resulted in an increase in investments in securities. As a result of these various factors.

Capital Investment

The NAGASE Group recorded ¥12.17 billion in capital investment (including intangible fixed assets), including ¥2.99 billion in capital investment for Hayashibara Co., Ltd., to stabilize supplies of functional sugar products and enhance competitiveness (in the Life & Healthcare segment).

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

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

¥ 237
3,361
1,825
284
4,906
997
12,173

■ Liabilities

Liabilities amounted to ¥235.57 billion, a ¥2.64 billion increase compared to the end of the prior consolidated fiscal year. This increase was mainly due to increases in notes and accounts payable and long-term deferred tax liabilities.

Capital Investment

The NAGASE Group recorded ¥12.17 billion in capital investment (including intangible fixed assets), including ¥2.99 billion in capital investment for Hayashibara Co., Ltd., to stabilize supplies of functional sugar products and enhance competitiveness (in the Life & Healthcare segment).

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- Life & Healthcare
- Others
- Total

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3,361
1,825
284
4,906
997
12,173

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 to core substance production technology utilizing actinomycetes, the center has expertise in a wide variety of foundational technologies, including genetic engineering, metabolic 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, NAGASE Group companies, and other external partners to develop eco-friendly chemicals utilizing bioprocesses.

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 antimicrobial 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 raw materials 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 business model. 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. Nagase Chemtex staff in a cross-organizational research and development division, and product development departments in each Group business work together to develop new products, leveraging our long accumulated proprietary technologies in synthesis, compounding, biotechnology and evaluation—all developed over many years of technological experience. In particular, Nagase Chemtex works to develop high-function, high-value-added products (automobiles, aircraft, and other transport-related equipment, biomaterials, etc.) that are lightweight, durable, and recyclable.

Hayashibara Co., Ltd. conducts research and development into functional saccharides and functional dyes. The functional saccharides business consists of screening for microbes leading to the discovery and analysis of new enzyme-producing bacteria and research and development into unique functional saccharides produced from these enzyme-producing bacteria. The NAGASE Group's functional saccharides have applications and usages in a wide variety of fields, from foods to cosmetics and perfumes, pharmaceuticals, health care, 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 TRH™, AAG™, 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 and from application development to patents, all linked in a cohesive intellectual property strategy. In the functional dyes business, we are making use of the extensive Hayashibara functional dyes library, pursuing development to offer products and new applications in the photo and printing plate and other commercial fields, as well as in life sciences fields such as pharmaceuticals. The Group incurred a total of ¥16 billion in consolidated research and development expenses for the fiscal year under review.

Outlook for the Year Ending March 31, 2018

Personal spending is expected to remain strong throughout the next fiscal year, buoyed by an improving picture in domestic employment and payrolls. Overseas, corporate earnings and strong personal spending in the United States is expected to continue. However, the impact of policies introduced by the new U.S. administration on China and other emerging economies is unclear, leading to continued instability in the overall business environment.

For the year ending March 31, 2018, we forecast consolidated net sales of ¥713 billion (1.3% year-on-year increase), operating income of ¥191.1 billion (21.7% increase), ordinary income of ¥209 billion (27.7% increase), and profit attributable to owners of the parent in the amount of ¥12.5 billion (21.0% increase).

These forecasts have been developed based on a currency conversion rate of ¥108 to the U.S. dollar.
May 2, 2017. 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 businesses. These products and services include dyes/pigments, coating materials/risk, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/applications. Accordingly, significant changes in domestic and international commercial chemical industries 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 and Processing, Automotive & Energy segments. Raw materials and demand-supply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines. Also, some products manufactured by the Group use raw materials derived from grains. Raw materials costs fluctuate widely due to changes in grain market prices; we may not be able to pass on increased raw materials costs through higher sales prices, which could affect our profits in related product lines.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

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

(4) Impact of Fluctuations in Interest Rates

The NAGASE Group obtains funds for operating and 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 impact, 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 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.

(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 failing 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 risk 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 and 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 prospects or other factors in the future, which may have an impact on Group business performance and financial condition.

(10) Product Quality Risk

The NAGASE Group operates the Nago-R&D Center and manufacturing subsidiaries to offer high-value-added products to our customers. We pay detailed attention to the quality of the technologies and products that bear the name of NAGASE and our affiliates. We also manufacture/buy-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 conditions.

(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 peace and safety, the chemicals and other items we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports and domestic sales are subject to the Chemical Substances Control Law and other related statutes, as well as similar regulations in foreign jurisdictions. To ensure compliance, the Group has established internal Security Trade Control Regulations and Chemical/ Product Control Regulations. However, a violation of such laws and statutes could result in restrictions on Group business activities, having 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.

Management’s Discussion and Analysis of Operations and Finances

Profit Sharing Policy

Our basic policy is to continue paying a stable dividend to our share-holders 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 the consolidated profit 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 function. In addition, the Company has determined in its articles of incorpora- tion, allowances or interim dividend payments according to the provi-sions 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, sub- ject to approval by the general meeting of shareholders.

The NAGASE Group declared a year-end dividend of ¥17 per share based on this policy, a ¥1 increase compared to the prior fiscal year. As a result, the scheduled full-year cash dividend will amount to ¥33 per share.

We forecast a full year dividend of ¥35 per share for the next fiscal year, ¥2 higher than the prior year. This dividend will consist of a ¥17 per-share interim dividend and a ¥18 per-share year-end dividend.

Dividend Policy

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 the consolidated profit 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 function. 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.

We forecast a full-year dividend of ¥35 per share for the next fiscal year.

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 the consolidated profit 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 function. 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.

We forecast a full-year dividend of ¥35 per share for the next fiscal year.
Consolidated Balance Sheet
NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2017 and 2016)

**ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>¥ 39,830</td>
<td>¥ 42,283</td>
<td>¥ 355,023</td>
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<tr>
<td>Notes and accounts receivable</td>
<td>206,846</td>
<td>196,335</td>
<td>1,843,712</td>
</tr>
<tr>
<td>Inventories (Note 4)</td>
<td>63,120</td>
<td>62,900</td>
<td>562,617</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>2,375</td>
<td>2,842</td>
<td>21,169</td>
</tr>
<tr>
<td>Other current assets</td>
<td>9,661</td>
<td>7,843</td>
<td>86,291</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(638)</td>
<td>(899)</td>
<td>(5,687)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>321,215</td>
<td>312,634</td>
<td>2,863,134</td>
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**Property, plant, and equipment, at cost** (Notes 5 and 6):

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>21,939</td>
<td>18,910</td>
<td>195,552</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>54,911</td>
<td>55,731</td>
<td>489,446</td>
</tr>
<tr>
<td>Machinery, equipment, and vehicles</td>
<td>83,372</td>
<td>83,243</td>
<td>743,132</td>
</tr>
<tr>
<td>Leased assets</td>
<td>532</td>
<td>503</td>
<td>4,742</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>1,874</td>
<td>1,876</td>
<td>16,704</td>
</tr>
<tr>
<td>Total property, plant, and equipment, at cost</td>
<td>162,630</td>
<td>160,325</td>
<td>1,449,594</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less accumulated depreciation</td>
<td>(95,011)</td>
<td>(93,790)</td>
<td>(846,876)</td>
</tr>
</tbody>
</table>

Property, plant and equipment, net (Note 21):

<table>
<thead>
<tr>
<th></th>
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<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>67,619</td>
<td>66,474</td>
<td>602,719</td>
</tr>
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</table>

**Investments and other assets:**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in securities (Notes 7 and 14):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>7,788</td>
<td>9,498</td>
<td>69,418</td>
</tr>
<tr>
<td>Other</td>
<td>86,759</td>
<td>77,847</td>
<td>773,322</td>
</tr>
<tr>
<td>Total investments in securities</td>
<td>94,548</td>
<td>81,345</td>
<td>842,749</td>
</tr>
<tr>
<td>Long-term loans receivable</td>
<td>482</td>
<td>1,023</td>
<td>4,296</td>
</tr>
<tr>
<td>Goodwill (Note 21)</td>
<td>23,034</td>
<td>24,562</td>
<td>205,312</td>
</tr>
<tr>
<td>Technology-based assets</td>
<td>13,791</td>
<td>15,366</td>
<td>122,925</td>
</tr>
<tr>
<td>Asset for retirement benefits (Note 10)</td>
<td>1</td>
<td>—</td>
<td>9</td>
</tr>
<tr>
<td>Deferred tax assets (Note 11)</td>
<td>1,524</td>
<td>1,544</td>
<td>13,584</td>
</tr>
<tr>
<td>Other assets (Note 6)</td>
<td>8,846</td>
<td>9,584</td>
<td>78,048</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(289)</td>
<td>(174)</td>
<td>(2,576)</td>
</tr>
<tr>
<td>Total investments and other assets</td>
<td>141,940</td>
<td>143,272</td>
<td>1,265,175</td>
</tr>
</tbody>
</table>

**LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable (Note 14)</td>
<td>¥102,076</td>
<td>¥ 97,800</td>
<td>¥ 909,849</td>
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<tr>
<td>Short-term loans (Notes 8 and 14)</td>
<td>28,162</td>
<td>25,294</td>
<td>251,021</td>
</tr>
<tr>
<td>Long-term loans and finance lease obligations (Notes 8 and 14)</td>
<td>3,582</td>
<td>8,895</td>
<td>31,928</td>
</tr>
<tr>
<td>Current portion of bonds (Notes 8 and 14)</td>
<td>10,000</td>
<td>—</td>
<td>89,135</td>
</tr>
<tr>
<td>Accrued income taxes (Note 11)</td>
<td>1,849</td>
<td>4,305</td>
<td>16,481</td>
</tr>
<tr>
<td>Deferred tax liabilities (Note 11)</td>
<td>37</td>
<td>33</td>
<td>330</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>3,095</td>
<td>3,551</td>
<td>27,587</td>
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<tr>
<td>Accrued bonuses for employees</td>
<td>4,512</td>
<td>4,224</td>
<td>40,217</td>
</tr>
<tr>
<td>Accrued bonuses for directors and executive officers</td>
<td>171</td>
<td>194</td>
<td>1,524</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>13,006</td>
<td>11,838</td>
<td>115,928</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>166,494</td>
<td>196,118</td>
<td>1,488,036</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds (Notes 8 and 14)</td>
<td>20,000</td>
<td>30,000</td>
<td>178,269</td>
</tr>
<tr>
<td>Long-term loans and finance lease obligations (Notes 8 and 14)</td>
<td>20,335</td>
<td>23,170</td>
<td>181,455</td>
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<tr>
<td>Deferred tax liabilities (Note 11)</td>
<td>13,503</td>
<td>8,433</td>
<td>120,358</td>
</tr>
<tr>
<td>Liability for retirement benefits (Note 10)</td>
<td>14,625</td>
<td>14,060</td>
<td>130,359</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>617</td>
<td>949</td>
<td>5,500</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>69,082</td>
<td>76,613</td>
<td>615,759</td>
</tr>
</tbody>
</table>

|                          |            |            |            |
| Contingent liabilities (Note 18) |          |            |            |

|                          |            |            |            |
| Net assets:              |            |            |            |
| Shareholders’ equity (Note 12): |          |            |            |
| Common stock             |            |            |            |
| Authorized — 346,980,000 shares | 9,699    | 9,699      | 86,452     |
| Issued — 127,408,285 shares in 2017 and 2016 | 11,590    | 11,615     | 103,307    |
| Capital surplus          | 219,721    | 213,572    | 1,958,472  |
| Treasury stock, at cost (Note 13) — 1,287,166 shares in 2017 and 2016 | (1,337)    | (230)      | (11,917)   |
| Total shareholders’ equity | 239,674    | 234,057    | 2,136,322  |

|                          |            |            |            |
| Accumulated other comprehensive income (loss): |          |            |            |
| Net unrealized gain on securities (Note 7) | 47,683      | 37,074     | 425,620    |
| Deferred gain (loss) on hedges (Note 14) | 4        | (9)        | 36         |
| Translation adjustments | 3,129      | 4,411      | 27,890     |
| Retirement benefit liability adjustments (Note 10) | (274)     | (2,169)    | (2,442)    |
| Total accumulated other comprehensive income | 50,342     | 35,905     | 450,564    |

|                          |            |            |            |
| Non-controlling interests | 4,981      | 5,185      | 44,398     |
| Total net assets         | 295,198    | 279,149    | 2,631,233  |
| Total liabilities and net assets | 95,017    | 95,128     | 8,731,637  |

See notes to consolidated financial statements.
**Consolidated Statement of Income**

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2017 and 2016)

### About the NAGASE Group
Leading Us to the Future

**Performance by Segment**

**Unique Products**

**Critical Initiatives for Sustainable Growth**

**Financial and Corporate Information**

### Income taxes (Note 11):

See notes to consolidated financial statements.

### Profit attributable to owners of parent

See notes to consolidated financial statements.

### Balance at March 31, 2017

Thousands of U.S. dollars (Note 1)

### Balance at April 1, 2016

Thousands of U.S. dollars (Note 1)

### Balance at March 31, 2017

Thousands of U.S. dollars (Note 1)

### Consolidated Statement of Changes in Net Assets

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2017 and 2016)

### Consolidated Statement of Comprehensive Income

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2017 and 2016)
Notes to Consolidated Financial Statements
NAGASE & CO., LTD. and Consolidated Subsidiaries (March 31, 2017)

1. BASIS OF PREPARATION

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

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

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on consolidated profit or net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and companies that it controls directly or indirectly. 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.

(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 and subject to an insignificant risk of any change in their value, which were purchased with an original maturity of three months or less.

(d) Investments

Investments are stated at the lower of cost or net realizable value, and are carried at amortized cost. Realized gains and losses are recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, 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 included in the determination of net income but are reported as “translation adjustments” as a component of other comprehensive income or loss in the accompanying consolidated balance sheets.

Property, plant and equipment are stated at cost. Depreciation and amortization is calculated using the straight-line method based on the estimated useful lives of the respective assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥112.19 = U.S.$1.00, the rate of exchange prevailing on March 31, 2017. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

## Consolidated Statement of Cash Flows

NAGASE & CO., LTD. and Consolidated Subsidiaries (Years ended March 31, 2017 and 2016)

<table>
<thead>
<tr>
<th>Operating activities:</th>
<th>Profit before income taxes</th>
<th>¥ 16,100</th>
<th>¥ 15,239</th>
<th>¥ 143,507</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments to reconcile profit before income taxes to net cash provided by operating activities:</td>
<td>Depreciation and amortization other than amortization of goodwill</td>
<td>9,381</td>
<td>9,493</td>
<td>83,617</td>
</tr>
<tr>
<td></td>
<td>Amortization of goodwill</td>
<td>1,543</td>
<td>1,634</td>
<td>13,753</td>
</tr>
<tr>
<td></td>
<td>Loss on impairment of fixed assets</td>
<td>1,398</td>
<td>2,756</td>
<td>12,461</td>
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<tr>
<td></td>
<td>Subsidy income</td>
<td>(314)</td>
<td>(32)</td>
<td>(2,799)</td>
</tr>
<tr>
<td></td>
<td>Loss on reduction of property, plant and equipment</td>
<td>290</td>
<td>(27)</td>
<td>2,585</td>
</tr>
<tr>
<td></td>
<td>Increase (decrease) in liability for retirement benefits</td>
<td>2,527</td>
<td>(848)</td>
<td>29,388</td>
</tr>
<tr>
<td></td>
<td>Increase (decrease) in other current assets, net</td>
<td>(1,827)</td>
<td>(1,562)</td>
<td>26,193</td>
</tr>
<tr>
<td></td>
<td>Interest and dividend income</td>
<td>1,032</td>
<td>1,048</td>
<td>9,199</td>
</tr>
<tr>
<td></td>
<td>Exchange loss (gain), net</td>
<td>345</td>
<td>(640)</td>
<td>3,075</td>
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<tr>
<td></td>
<td>Gain on sales of property, plant and equipment, net</td>
<td>(178)</td>
<td>(10)</td>
<td>(1,587)</td>
</tr>
<tr>
<td></td>
<td>Gain on sales of investments in securities, in capital, shares of subsidiaries and affiliates, and investments in capital of subsidiaries and affiliates, net</td>
<td>(1,690)</td>
<td>(94)</td>
<td>(15,064)</td>
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<tr>
<td>Changes in operating assets and liabilities:</td>
<td>Notes and accounts receivable</td>
<td>(11,885)</td>
<td>6,784</td>
<td>(105,936)</td>
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<tr>
<td></td>
<td>Inventories</td>
<td>(1,077)</td>
<td>3,162</td>
<td>(9,065)</td>
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<tr>
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<td>Notes and accounts payable</td>
<td>5,180</td>
<td>(8,829)</td>
<td>46,332</td>
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<tr>
<td></td>
<td>Other, net</td>
<td>(614)</td>
<td>(168)</td>
<td>(5,473)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>21,075</td>
<td>30,064</td>
<td>187,851</td>
<td></td>
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<tr>
<td></td>
<td>Interest and dividends received</td>
<td>2,235</td>
<td>1,965</td>
<td>19,922</td>
</tr>
<tr>
<td></td>
<td>Interest paid</td>
<td>(1,045)</td>
<td>(1,013)</td>
<td>(9,315)</td>
</tr>
<tr>
<td></td>
<td>Income taxes paid</td>
<td>(7,737)</td>
<td>(4,549)</td>
<td>(68,963)</td>
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<tr>
<td>Net cash provided by operating activities</td>
<td>14,527</td>
<td>29,376</td>
<td>129,486</td>
<td></td>
</tr>
</tbody>
</table>

Investing activities:

- Purchases of property, plant and equipment | (10,667) | (8,957) | (95,080) |
- Proceeds from sales of property, plant and equipment | 976 | 414 | 8,700 |
- Proceeds of impairment losses on property, plant and equipment included in other assets | (867) | (3,898) | (7,728) |
- Proceeds of investments in securities | (1,825) | (2,129) | (16,267) |
- Proceeds from sales of investments in securities | 4,658 | 213 | 41,519 |
- Proceeds of investments in capital | (53) | (958) | (472) |
- Proceeds from sales of a subsidiary resulting in change in scope of consolidation | 293 | — | 2,612 |
- Decrease (increase) in short-term loans receivable included in other current assets, net | 434 | (177) | 3,868 |
- Proceeds from sale of property, plant and equipment | 274 | (951) | 2,442 |
| | Decrease (increase) in time deposits, net | 314 | — | 2,799 |
| | Net cash used in investing activities | (6,318) | (10,668) | (58,098) |

Financing activities:

- Increase (decrease) in short-term loans, net | 3,232 | (3,764) | 28,808 |
- Proceeds from long-term loans | 950 | 1,976 | 8,468 |
- Repayments of long-term loans | (9,182) | (6,440) | (81,843) |
- Proceeds from issuance of bonds | — | — | (1,000) |
- Redemption of bonds | — | (10,000) | — |
- Purchase of treasury stock | (1,107) | (1,107) | (9,867) |
- Cash dividends paid | (4,030) | (3,917) | (36,099) |
- Cash dividends paid to non-controlling interests | (254) | (421) | (2,264) |
| | Other, net | (181) | (92) | (1,613) |
| Net cash used in financing activities | (15,930) | (13,820) | (84,411) |

Effect of exchange rate changes on cash and cash equivalents | (596) | (1,527) | (5,312) |

Net (decrease) increase in cash and cash equivalents | (3,180) | 2,377 | (28,345) |

Cash and cash equivalents at beginning of period | 42,900 | 42,900 | 382,387 |

Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary | 10 | — | 89 |

Cash and cash equivalents at end of period (Note 26) | ¥ 39,710 | ¥ 42,000 | ¥ 354,131 |

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

3. ACCOUNTING CHANGES
(a) Change in Method of Inventory Valuation
Inventories of the Company and certain domestic consolidated subsidiaries, which were previously determined by the weighted-average method, are now determined by the moving average method, effective from the year ended March 31, 2017. As a result of the adoption of new core systems in August 2016, this change was implemented for the purpose of conducting periodic profit and loss accounting more promptly and accurately, by calculating costs of inventories on a periodic basis.

4. INVENTORIES
Inventories at March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merchandise and finished goods</td>
<td>¥18,162</td>
<td>¥18,424</td>
</tr>
<tr>
<td>Work in process</td>
<td>1,309</td>
<td>1,726</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>3,648</td>
<td>3,789</td>
</tr>
<tr>
<td>Total</td>
<td>¥26,110</td>
<td>¥21,581</td>
</tr>
</tbody>
</table>

5. REDUCTIONS IN ACQUISITION COST DUE TO SUBSIDIES
The amounts of subsidies received from the national government and deducted from the acquisition cost of property, plant and equipment at March 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>¥359</td>
<td>¥5,200</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>575</td>
<td>5,125</td>
</tr>
<tr>
<td>Total</td>
<td>¥435</td>
<td>¥8,325</td>
</tr>
</tbody>
</table>

6. LOSS ON IMPAIRMENT OF FIXED ASSETS
Loss on impairment of fixed assets for the years ended March 31, 2017 and 2016 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-use assets for manufacturing and selling of color formers</td>
<td>Buildings and structures, machinery, equipment and vehicles, construction in progress, intangible assets included in other assets</td>
<td>¥1,233</td>
</tr>
<tr>
<td>Business-use assets for manufacturing and selling of color formers</td>
<td>Machinery, equipment and vehicles</td>
<td>$15</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>85</td>
</tr>
<tr>
<td>Business-use assets for manufacturing and selling of rechargeable battery systems</td>
<td>Machinery, equipment and vehicles, intangible assets included in other assets</td>
<td>38</td>
</tr>
<tr>
<td>Business-use assets for manufacturing and selling of polymer products</td>
<td>Buildings and structures</td>
<td>17</td>
</tr>
<tr>
<td>Business-use assets for semiconductors and display devices</td>
<td>Buildings and structures, machinery, equipment and vehicles</td>
<td>Kanto</td>
</tr>
<tr>
<td>Equipment, display devices</td>
<td>Kinki</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,398</td>
<td>$12,461</td>
</tr>
</tbody>
</table>
The recoverable amounts were measured at net selling value or value in use. The value in use of goodwill was calculated based on future cash-flows using a discount rate of 9.1%. In addition, the value in use exceeded the carrying value after recognizing impairment losses. The value in use of goodwill is measured based on future cash-flows using a discount rate of 9.1%. In addition, the value in use of goodwill was calculated based on the appraisal value published by the tax authorities or the real estate appraisers.

7. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th>Securities whose carrying value exceeds their acquisition costs:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>¥83,820</td>
<td>¥67,520</td>
</tr>
<tr>
<td>Securities whose carrying value does not exceed their acquisition costs:</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥84,090</td>
<td>(74)</td>
</tr>
</tbody>
</table>

The aggregate annual maturities of bonds, long-term loans and finance lease obligations subsequent to March 31, 2017 are summarized as follows:

<table>
<thead>
<tr>
<th>Years ending March 31, 2018</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>¥211,963</td>
<td>$211,963</td>
</tr>
<tr>
<td>2019</td>
<td>10,711</td>
<td>95,472</td>
</tr>
<tr>
<td>2020</td>
<td>10,281</td>
<td>91,639</td>
</tr>
<tr>
<td>2021</td>
<td>4,735</td>
<td>42,205</td>
</tr>
<tr>
<td>2022</td>
<td>4,375</td>
<td>40,050</td>
</tr>
<tr>
<td>2023 and thereafter</td>
<td>14,104</td>
<td>125,715</td>
</tr>
<tr>
<td>Total</td>
<td>¥273,198</td>
<td>$273,198</td>
</tr>
</tbody>
</table>

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>Lines of credit</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit utilized</td>
<td>¥10,000</td>
<td>¥10,000</td>
</tr>
</tbody>
</table>
9. OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments and tax effects allocated to each component of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 were as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings and cumulative translation adjustments</td>
<td>$18,932</td>
<td>$18,810</td>
<td>$168,749</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>395</td>
<td>400</td>
<td>3,521</td>
</tr>
<tr>
<td>Actuarial differences</td>
<td>(249)</td>
<td>(331)</td>
<td>(2,219)</td>
</tr>
<tr>
<td>Contributions by the Company and its consolidated subsidiaries</td>
<td>584</td>
<td>697</td>
<td>5,205</td>
</tr>
<tr>
<td>Retirement benefits paid</td>
<td>(782)</td>
<td>(632)</td>
<td>(6,970)</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>(12)</td>
<td>62</td>
</tr>
<tr>
<td>Total</td>
<td>$18,888</td>
<td>$18,952</td>
<td>$168,557</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2016 for the company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded retirement benefit obligation</td>
<td>$22,273</td>
<td>$22,047</td>
<td>$198,529</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>(18,888)</td>
<td>(18,932)</td>
<td>(168,557)</td>
</tr>
<tr>
<td>Net liability for retirement benefits in the balance sheet</td>
<td>3,384</td>
<td>3,115</td>
<td>30,163</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>11,239</td>
<td>10,945</td>
<td>100,178</td>
</tr>
<tr>
<td>Asset for the retirement benefits</td>
<td>14,624</td>
<td>14,060</td>
<td>130,359</td>
</tr>
<tr>
<td>Total</td>
<td>$14,624</td>
<td>$14,060</td>
<td>$130,350</td>
</tr>
</tbody>
</table>

The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$1,445</td>
<td>$1,312</td>
<td>$12,880</td>
</tr>
<tr>
<td>Interest cost</td>
<td>253</td>
<td>382</td>
<td>2,255</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(195)</td>
<td>(195)</td>
<td>(3,523)</td>
</tr>
<tr>
<td>Actuarial differences</td>
<td>3,111</td>
<td>3,157</td>
<td>27,730</td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>$4,414</td>
<td>$3,377</td>
<td>$39,344</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. Also, the company and certain consolidated subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit pension plans

The changes in the retirement benefit obligation for the years ended March 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial differences</td>
<td>389</td>
<td>417</td>
<td>(3,458)</td>
</tr>
</tbody>
</table>

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond</td>
<td>84%</td>
<td>100%</td>
<td>80%</td>
</tr>
<tr>
<td>Equity securities</td>
<td>96%</td>
<td>96%</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>10%</td>
<td>88%</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 assumptions used in accounting for the above plans were as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2017</th>
<th>2016</th>
<th>$ (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.8%</td>
<td>6.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2%</td>
</tr>
</tbody>
</table>
### Deferred contribution pension plans

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to deferred contribution pension plans by the Company and its consolidated subsidiaries</td>
<td>2,877</td>
<td>279</td>
</tr>
<tr>
<td></td>
<td>52,558</td>
<td></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 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively. The effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2017 and 2016 differ from the statutory tax rates for the following reasons:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective tax rates</td>
<td>30.9%</td>
<td>33.1%</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>3.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Dividends and other income deductible for income tax purposes</td>
<td>(6.9)</td>
<td>(12.8)</td>
</tr>
<tr>
<td>Net adjustment resulting from elimination of dividend income upon consolidation</td>
<td>8.0</td>
<td>12.4</td>
</tr>
<tr>
<td>Different tax rates applied at overseas subsidiaries</td>
<td>(3.1)</td>
<td>(5.9)</td>
</tr>
<tr>
<td>Tax credit</td>
<td>—</td>
<td>3.5</td>
</tr>
<tr>
<td>Loss on impairment of goodwill</td>
<td>—</td>
<td>3.0</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Decrease in deferred tax assets resulting from change in statutory tax rates</td>
<td>0.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Decrease in tax expenses resulting from application of consolidated taxation system</td>
<td>(1.3)</td>
<td>1.2</td>
</tr>
<tr>
<td>Other, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Effective tax rates</strong></td>
<td>33.8%</td>
<td>18.2%</td>
</tr>
</tbody>
</table>

The significant components of the Company’s and its consolidated subsidiaries’ deferred tax assets and liabilities at March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued bonuses for employees</td>
<td>1,141</td>
<td>1,141</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>2,112</td>
<td>2,112</td>
</tr>
<tr>
<td>Unrealized gain on inventories</td>
<td>4,528</td>
<td>4,528</td>
</tr>
<tr>
<td>Accrued enterprise taxes</td>
<td>2,202</td>
<td>2,202</td>
</tr>
<tr>
<td>Tax loss carryforwards</td>
<td>31,667</td>
<td>31,667</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>40,075</td>
<td>40,075</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>9,930</td>
<td>9,930</td>
</tr>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>11,926</td>
<td>11,926</td>
</tr>
<tr>
<td>Tax goodwill</td>
<td>75,265</td>
<td>75,265</td>
</tr>
<tr>
<td>Other</td>
<td>24,690</td>
<td>24,690</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td>159,408</td>
<td>159,408</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology-based assets</td>
<td>(4,687)</td>
<td>(4,687)</td>
</tr>
<tr>
<td>Deferred capital gain on property</td>
<td>(12,702)</td>
<td>(12,702)</td>
</tr>
<tr>
<td>Reserve for special depreciation</td>
<td>(5,135)</td>
<td>(5,135)</td>
</tr>
<tr>
<td>Undistributed earnings of subsidiaries and affiliates</td>
<td>(4,829)</td>
<td>(4,829)</td>
</tr>
<tr>
<td>Revaluation of land</td>
<td>(2,772)</td>
<td>(2,772)</td>
</tr>
<tr>
<td>Net unrealized holding gain on securities</td>
<td>(179,927)</td>
<td>(179,927)</td>
</tr>
<tr>
<td>Other</td>
<td>(4,368)</td>
<td>(4,368)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities</strong></td>
<td>337,300</td>
<td>337,300</td>
</tr>
</tbody>
</table>

### 12. SHAREHOLDERS’ EQUITY

The Corporation Law of Japan (the “Law”) provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital 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, 2017 amounted to ¥9,644 million ($81,872 thousand). In addition, the Company’s legal reserve included in retained earnings at March 31, 2017 amounted to ¥2,424 million ($21,606 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 10% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April 1, 2017</td>
</tr>
<tr>
<td>Common stock</td>
<td>127,408,285</td>
</tr>
<tr>
<td></td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>Common stock</td>
<td>127,408,285</td>
</tr>
</tbody>
</table>

### 13. TREASURY STOCK

Movements in treasury stock in the years ended March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April 1, 2017</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>377,300</td>
</tr>
<tr>
<td></td>
<td>April 1, 2016</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>377,300</td>
</tr>
</tbody>
</table>

The increase in treasury stock consists of 980,000 shares resulting from the purchase of treasury stock by resolution of the Board of Directors and 2,147 shares resulting from the purchase of shares of less than one voting unit for the year ended March 31, 2017. The decrease in treasury stock consists of 81 shares resulting from the disposition of shares, less than one voting unit for the year ended March 31, 2017. The increase 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, 2016.
Notes to Consolidated Financial Statements

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 system under which the credit status by each customer is reviewed at least once a year and the sales 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 issuer. The Group also reviews as needed the condition of its holdings with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuer.

(c) Fair value of financial instruments

The fair value estimation is based on quoted market values, or calculated using underlying values discounted by the interest rate determined taking into account the remaining period to maturity for each receivable or payable.

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

Cash and time deposits

Then carrying value approximates the fair value.

Notes and accounts receivable

The fair value of notes and accounts receivable 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 investment in securities is based on quoted market prices. Please refer to Note 7 regarding information on securities by holding purpose.

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 payable classified by settlement date.

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

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

Current portion of bonds and bonds

The fair value of bonds is based on the market price.
Notes to Consolidated Financial Statements

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

Derivative transactions
Please refer to Note 15.

The carrying value of financial instruments without determinable market value at March 31, 2017 and 2016 is presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Unlisted equity securities</td>
<td>¥2,669</td>
<td>¥2,144</td>
</tr>
<tr>
<td>Investments in unconsolidated subsidiaries and affiliates</td>
<td>7,788</td>
<td>9,498</td>
</tr>
<tr>
<td>Total</td>
<td>¥10,458</td>
<td>¥11,642</td>
</tr>
</tbody>
</table>

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2017 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>Over 1 year and less than 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time deposits</td>
<td>¥39,637</td>
<td>¥—</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>206,846</td>
<td>¥—</td>
</tr>
<tr>
<td>Total</td>
<td>¥246,483</td>
<td>¥—</td>
</tr>
</tbody>
</table>

Derivative transactions

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<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>¥7,475</td>
<td>¥—</td>
<td>¥24</td>
<td>¥24</td>
</tr>
<tr>
<td></td>
<td>Yen</td>
<td>1,772</td>
<td>—</td>
<td>(10)</td>
<td>(10)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Euro</td>
<td>763</td>
<td>—</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RMW</td>
<td>440</td>
<td>—</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SGD</td>
<td>88</td>
<td>—</td>
<td>(1)</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>750</td>
<td>—</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yen</td>
<td>379</td>
<td>—</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Euro</td>
<td>33</td>
<td>—</td>
<td>(0)</td>
<td>(0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>3</td>
<td>—</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥11,706</td>
<td>¥—</td>
<td>¥23</td>
<td>¥21</td>
<td>¥21</td>
<td></td>
</tr>
</tbody>
</table>

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

15. DERIVATIVES AND HEDGING ACTIVITIES
The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2017 and 2016 are as follows:

<table>
<thead>
<tr>
<th></th>
<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>¥66,628</td>
<td>¥—</td>
<td>¥214</td>
<td>¥214</td>
</tr>
<tr>
<td></td>
<td>Yen</td>
<td>15,795</td>
<td>—</td>
<td>(89)</td>
<td>(89)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Euro</td>
<td>6,801</td>
<td>—</td>
<td>27</td>
<td>27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RMW</td>
<td>3,922</td>
<td>—</td>
<td>9</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>784</td>
<td>—</td>
<td>(9)</td>
<td>(9)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥104,341</td>
<td>¥—</td>
<td>¥187</td>
<td>¥187</td>
<td>¥187</td>
<td></td>
</tr>
</tbody>
</table>

The fair value of foreign currency forward exchange contracts is mainly 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, 2017 and 2016 are as follows:

### 2017

<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>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency forward exchange contracts:</td>
<td>Selling</td>
<td>U.S. dollar</td>
<td>¥ 44</td>
<td>¥ —</td>
<td>¥ 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro Accounts receivable</td>
<td>204</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM/B</td>
<td>8</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>8</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Buying</td>
<td>U.S. dollar</td>
<td>13</td>
<td>—</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro Accounts payable</td>
<td>25</td>
<td>—</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM/B</td>
<td>20</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>16</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>¥ 450</td>
<td>¥ —</td>
<td>¥ 2</td>
</tr>
</tbody>
</table>

### 2016

<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>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign currency forward exchange contracts:</td>
<td>Selling</td>
<td>U.S. dollar</td>
<td>¥ 64</td>
<td>¥ —</td>
<td>¥ 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro Accounts receivable</td>
<td>204</td>
<td>—</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM/B</td>
<td>8</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>8</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Buying</td>
<td>U.S. dollar</td>
<td>13</td>
<td>—</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Euro Accounts payable</td>
<td>25</td>
<td>—</td>
<td>(0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM/B</td>
<td>20</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td>16</td>
<td>—</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>¥ 450</td>
<td>¥ —</td>
<td>¥ 2</td>
</tr>
</tbody>
</table>

The fair value of foreign currency forward exchange contracts is mainly 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.

The interest-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2017 and 2016 are as follows:

### 2017

#### Method for hedge accounting

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Hedged item</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swap rates applied to underlying long-term loans</td>
<td>Interest-rate swap transactions (pay—fixed, receive—variable)</td>
<td>Long-term loans</td>
<td>¥20,465</td>
<td>¥18,000</td>
</tr>
</tbody>
</table>

### 2016

#### Method for hedge accounting

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Hedged item</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swap rates applied to underlying long-term loans</td>
<td>Interest-rate swap transactions (pay—fixed, receive—variable)</td>
<td>Long-term loans</td>
<td>¥23,626</td>
<td>¥20,439</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

16. RESEARCH AND DEVELOPMENT COSTS
Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2017 and 2016 totaled ¥3,167 million ($28,056 thousand) and ¥3,063 million, respectively.

17. OPERATING LEASES
Future minimum lease payments subsequent to March 31, 2017 under noncancelable operating leases are as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>¥437</td>
<td>$3,895</td>
</tr>
<tr>
<td>2019 and thereafter</td>
<td>391</td>
<td>3,485</td>
</tr>
<tr>
<td>Total</td>
<td>¥829</td>
<td>$7,380</td>
</tr>
</tbody>
</table>

18. CONTINGENT LIABILITIES
At March 31, 2017, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥316 million ($2,817 thousand), and as guarantors of loans of employees in the amount of ¥1 million ($9 thousand).

In addition, at March 31, 2017, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks in the amount of ¥245 million ($2,184 thousand).

19. AMOUNTS PER SHARE
Amounts per share at March 31, 2017 and 2016 and for the years then ended are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Diluted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>¥81.65</td>
<td>¥96.96</td>
</tr>
<tr>
<td>2016</td>
<td>81.70</td>
<td>96.85</td>
</tr>
<tr>
<td>2017</td>
<td>0.73</td>
<td>0.83</td>
</tr>
</tbody>
</table>

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, 2017 and 2016 has not been presented because no potentially dilutive shares of common stock were outstanding.

Net assets per share 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, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>¥10,331</td>
</tr>
<tr>
<td>Profit available for distribution to shareholders of common stock</td>
<td>¥10,331</td>
</tr>
<tr>
<td>Weighted-average number of shares</td>
<td>126,545,671</td>
</tr>
</tbody>
</table>

20. CASH AND TIME DEPOSITS
A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2017 and 2016 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

<table>
<thead>
<tr>
<th>Year ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>¥39,810</td>
<td>$3,550,023</td>
</tr>
<tr>
<td>2016</td>
<td>24,283</td>
<td>2,18</td>
</tr>
<tr>
<td>2017</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td>2016</td>
<td>(102)</td>
<td>(97)</td>
</tr>
<tr>
<td>2017</td>
<td>79,730</td>
<td>$7,354,131</td>
</tr>
<tr>
<td>2016</td>
<td>42,900</td>
<td>3,485</td>
</tr>
</tbody>
</table>

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 by the most closely aligned industries, the Company defined five segment categories: Functional Materials (located at the top 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, auxiliaries, plastic materials, plastic additives, industrial oil solutions, surfactants materials, fluorocarbons, encapsulant materials, silicone materials, and more for the paints/inks, resins, urethane foams, organic synthesis, surfactants, and semiconductors industries.

The Advanced Materials & Processing segment is engaged in the sales of dyes and dyes, functional dyes, digital print processing products, thermoplastic resins, thermosetting resins, conductive coatings, synthetic rubbers, inorganic materials, plastic products, resin molding tools/dies, and external inspection equipment for the dye/ additive, digital print processing materials, fiber processing, raw resin materials, resin molding, functional films and sheets, constructions, and other industries.

The Electronics segment is engaged in the sales of pre-processing materials and devices for LCD/semiconductor, materials for display panels, materials and devices for semiconductor assembly, low-temperature/vacuum equipment, high-function epoxy resins, precision electronics abuses, and more for the displays, touch panels, semiconductor, hard disk drives, electronic components, and heavy electrical industries.

The Automotive & Energy segment is engaged in the sales of plastic products, thermoplastic resins, thermosetting resins, silicone products, resin molding tools/dies, battery materials, solar cell/secondary battery materials and more for the automotive, automotive components, and energy industries.

The Life & Healthcare segment is engaged in the sales of pharmaceutical/chemical materials and pharmaceutical research products, in vitro diagnostics, enzymes, food additives, additives for cosmetics, foodstuffs, and surfactants for the pharmaceutical, food, and cosmetics industries. Furthermore, the segment offers radiation measurement as one of its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

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

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2017 and 2016 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:
Notes to Consolidated Financial Statements

(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, 2017 is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales to customers</th>
<th>Intersegment sales and transfers</th>
<th>Sales to customers</th>
<th>Intersegment sales and transfers</th>
</tr>
</thead>
</table>

Segment assets

<table>
<thead>
<tr>
<th>Segment</th>
<th>After functional materials, processing equipment, net and intangible assets</th>
<th>Unamortized balance of goodwill</th>
<th>Accumulated amortization of goodwill</th>
<th>Amortization of goodwill</th>
<th>Unamortized balance of goodwill</th>
<th>Accumulated amortization of goodwill</th>
<th>Total</th>
<th>Other items</th>
<th>Total</th>
</tr>
</thead>
</table>

(d) Geographical information

Net sales by country or region for the years ended March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th>Country or region</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥593,365</td>
<td>¥569,318</td>
</tr>
<tr>
<td>Greater China</td>
<td>193,784</td>
<td>207,191</td>
</tr>
<tr>
<td>ASEAN</td>
<td>101,998</td>
<td>109,837</td>
</tr>
<tr>
<td>Americas</td>
<td>29,573</td>
<td>32,016</td>
</tr>
<tr>
<td>Europe</td>
<td>11,975</td>
<td>18,992</td>
</tr>
<tr>
<td>Other</td>
<td>15,687</td>
<td>16,117</td>
</tr>
<tr>
<td>Total</td>
<td>¥722,384</td>
<td>¥742,194</td>
</tr>
</tbody>
</table>

Financial and Corporate Information

Property, plant and equipment by country or region as of March 31, 2017 and 2016 are summarized as follows:

<table>
<thead>
<tr>
<th>Country or region</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥549,657</td>
<td>¥539,093</td>
</tr>
<tr>
<td>Other</td>
<td>9,952</td>
<td>6,838</td>
</tr>
<tr>
<td>Total</td>
<td>¥569,619</td>
<td>¥545,931</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

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

Loss on impairment of fixed assets for the years ended March 31, 2017 and 2016 is as follows:

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<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>Eliminations or corporate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>¥—</td>
<td>¥1,352</td>
<td>¥1</td>
<td>¥38</td>
<td>¥—</td>
<td>¥1,392</td>
<td>¥—</td>
<td>¥6</td>
<td>¥1,398</td>
</tr>
</tbody>
</table>

Millions of yen

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<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>Eliminations or corporate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>¥—</td>
<td>¥818</td>
<td>¥1,862</td>
<td>¥36</td>
<td>¥—</td>
<td>¥2,717</td>
<td>¥—</td>
<td>¥39</td>
<td>¥2,756</td>
</tr>
</tbody>
</table>

Millions of yen

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<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>Eliminations or corporate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on impairment of fixed assets</td>
<td>$—</td>
<td>$12,051</td>
<td>$9</td>
<td>$339</td>
<td>$—</td>
<td>$12,408</td>
<td>$—</td>
<td>$53</td>
<td>$12,461</td>
</tr>
</tbody>
</table>

Thousands of U.S. dollars

For the year ended March 31, 2017, as to business-use assets for manufacturing of color formers in Advanced Materials & Processing segment, due to a decreasing profitability, the carrying values were reduced to their recoverable amounts and recorded loss on impairment of fixed assets of ¥1,249 million ($11,133 thousand).

For the year ended March 31, 2016, as to business-use assets for manufacturing of color formers and business-use assets for processing of plastic materials in Advanced Materials & Processing segment, due to a decreasing profitability, the carrying values were reduced to their recoverable amounts and recorded loss on impairment of fixed assets of ¥1,000 million and ¥104 million, respectively.

As to goodwill for developing and manufacturing of industrial adhesives and other in Electronics segment, as achieving the initially projected level of income could no longer be expected, the carrying value of goodwill was reduced to the recoverable amount and recorded loss on impairment of fixed assets of ¥1,164 million. And as to business-use assets for processing of thin glass panels in the same segment, due to decreasing profitability, the carrying values were reduced to their recoverable amounts and recorded loss on impairment of fixed assets of ¥440 million.

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, 2017, was approved at a meeting of the shareholders held on June 28, 2017:

<table>
<thead>
<tr>
<th>Reportable Segments</th>
<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>Eliminations or corporate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends (¥17.0 = U.S.$0.15 per share)</td>
<td>¥2,144</td>
<td>$19,110</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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, 2017, 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 internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and its consolidated subsidiaries as at March 31, 2017, 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, 2017
Osaka, Japan

Ernst & Young Shinkenchiku LLC
## Consolidated Subsidiaries, Affiliates and Offices

### Integrated Report 2017

**As of April 1, 2017**

<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>Manufacturing and Processing</strong></td>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nagase Chemical K.K.</td>
<td>Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrine derivatives, electronics materials, etc.</td>
<td>Osaka Pref.</td>
<td>1970</td>
</tr>
<tr>
<td></td>
<td>Myohin Fine Co., Ltd.</td>
<td>Development and manufacture of battery power source controllers, battery power sources, and power source peripheral equipment</td>
<td>Aichi Pref.</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>Kaisei Kyoei Corporation</td>
<td>Development and sale of optical fiber and agricultural chemical materials</td>
<td>Shizuoka Pref.</td>
<td>1981</td>
</tr>
<tr>
<td></td>
<td>San-Delco Corporation</td>
<td>Development of applications for synthetic plastic products and manufacture and sale of processed products</td>
<td>Tokyo Pref.</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>Honshu Newcom Co., Ltd.</td>
<td>Manufacture and sale of filter drums, import and sale of feed processing machines and materials</td>
<td>Kanagawa Pref.</td>
<td>1968</td>
</tr>
<tr>
<td></td>
<td>Toyo Beauty Supply Corporation</td>
<td>Contract manufacture of cosmetics and health foods</td>
<td>Tokyo Pref.</td>
<td>1994</td>
</tr>
<tr>
<td></td>
<td>ART Grinde Co., Ltd.</td>
<td>Development, manufacture and sale of components for electronic equipment</td>
<td>Osaka Pref.</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>RIKI Corporation</td>
<td>Manufacture of developed recycling business</td>
<td>Osaka Pref.</td>
<td>2008</td>
</tr>
<tr>
<td></td>
<td>Novate Technology Corporation</td>
<td>Design, development, and manufacture of ultra precision plastic lenses and optical units, manufacture of precision mechanical components and units</td>
<td>Hino Pref.</td>
<td>1993</td>
</tr>
<tr>
<td></td>
<td>Linex Yosei-Tan Corporation</td>
<td>Processing and sale of agricultural and livestock goods</td>
<td>Shizuoka Pref.</td>
<td>2008</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Nagase Logistics Co., Ltd.</td>
<td>Warehousing and distribution</td>
<td>Hyogo Pref.</td>
<td>1982</td>
</tr>
<tr>
<td></td>
<td>Nagase Techno Service Co., Ltd.</td>
<td>Sales of NPO services, catalog &amp; online commerce, recordable media, IP, RD, logistics services</td>
<td>Chiba Pref.</td>
<td>1981</td>
</tr>
<tr>
<td></td>
<td>Nagase General Service Co., Ltd.</td>
<td>Sales and lease of various goods, real estate administration</td>
<td>Tokyo Pref.</td>
<td>1981</td>
</tr>
<tr>
<td></td>
<td>Nagase Information Development, Ltd.</td>
<td>Software development and maintenance</td>
<td>Tokyo Pref.</td>
<td>1987</td>
</tr>
<tr>
<td></td>
<td>Nagase Trade Management Co., Ltd.</td>
<td>Import/export and receivables/payables administration, shared services for receipts/declarations</td>
<td>Tokyo Pref.</td>
<td>1996</td>
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<tr>
<td></td>
<td>Nagase Chugyu Co., Ltd.</td>
<td>Sale and technical consulting of chemicals</td>
<td>Tokyo Pref.</td>
<td>1975</td>
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<tr>
<td></td>
<td>Nagase Landau Ltd.</td>
<td>Radiation measuring services</td>
<td>Burari</td>
<td>1974</td>
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<tr>
<td></td>
<td>Ohizo Co., Ltd.</td>
<td>Insurance agency</td>
<td>Osaka Pref.</td>
<td>1971</td>
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<tr>
<td></td>
<td>CAPTEX Co., Ltd.</td>
<td>Manufacture and development of battery power source controllers, battery power sources, and power source peripheral equipment</td>
<td>Aichi Pref.</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>Kaisei Kyoei Corporation</td>
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<td>Shizuoka Pref.</td>
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<td>Osaka Pref.</td>
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<tr>
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<td>Novate Technology Corporation</td>
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<td>Hino Pref.</td>
<td>1993</td>
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<td></td>
<td>Linex Yosei-Tan Corporation</td>
<td>Processing and sale of agricultural and livestock goods</td>
<td>Shizuoka Pref.</td>
<td>2008</td>
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</table>

### Greater China and Korea

<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>Manufacturing and Processing</strong></td>
<td><strong>China</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nagase Chemical (Xinji) Corporation</td>
<td>Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services</td>
<td>China</td>
<td>2002</td>
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<tr>
<td></td>
<td>Lida Industrial (Shanghai) Co., Ltd.</td>
<td>Manufacture and sale of plastic products</td>
<td>China</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>Nagase Electronics Technology Co., Ltd.</td>
<td>Chemical etching of liquid crystal glass panel units</td>
<td>Taiwan</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>Nagase Engineering Service Korea Co., Ltd.</td>
<td>Equipment maintenance service and engineering</td>
<td>Korea</td>
<td>1997</td>
</tr>
<tr>
<td></td>
<td>Nagase Electronics Technology (Kamien) Co., Ltd.</td>
<td>Chemical etching of liquid crystal glass panel units</td>
<td>China</td>
<td>2010</td>
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<tr>
<td></td>
<td>Guangzhou Funiko Chemicals Co., Ltd.</td>
<td>Manufacture of molded urethane products for automobiles</td>
<td>China</td>
<td>2001</td>
</tr>
<tr>
<td></td>
<td>Sunny Quality One Guangzhou Co., Ltd.</td>
<td>Research and development, manufacturing, process technology consulting, and after-sale service for major automotive parts</td>
<td>China</td>
<td>2004</td>
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<tr>
<td></td>
<td>Sunny Quality One Ningbo Co., Ltd.</td>
<td>Manufacture and sale of polyurethane foam</td>
<td>China</td>
<td>1993</td>
</tr>
<tr>
<td></td>
<td>Sony Spring Mile (Shanghai) Co., Ltd.</td>
<td>Development, manufacture, and sale of precision press products, spring, and standard molds</td>
<td>China</td>
<td>2005</td>
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<td></td>
<td>Light Chemical (Shanghai) Co., Ltd.</td>
<td>Research, development, and after-sale service for high-function composites and intermediates, sales of internally developed products</td>
<td>China</td>
<td>2011</td>
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<tr>
<td></td>
<td>MaoChengXing Electronics Chemicals Co., Ltd.</td>
<td>Research, development, manufacture, and sale of electronics chemicals including semiconductor wafer fossil (FPS)</td>
<td>China</td>
<td>2019</td>
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<tr>
<td></td>
<td>CSTH Rieche Chemicals (Shanghai) Co., Ltd.</td>
<td>Manufacture, sales, and export/import of flexible-related products for processing agents</td>
<td>China</td>
<td>2003</td>
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</tbody>
</table>

### Services

**China**

<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 CMS Technology (Shanghai) Co., Ltd.</td>
<td>Construction and maintenance of chemical supply and management equipment</td>
<td>China</td>
<td>2006</td>
</tr>
<tr>
<td>UT Consultant Service (Shanghai) Co., Ltd.</td>
<td>Pesticide quality management consultants</td>
<td>China</td>
<td>2003</td>
</tr>
</tbody>
</table>
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>Manufacturing and Processing</td>
<td>Nagase (Thailand) Co., Ltd.</td>
<td>Import/export, domestic sales, manufacturing</td>
<td>Thailand</td>
<td>1989</td>
</tr>
<tr>
<td>Sales and Servicing</td>
<td>NTV Tech (USA) Packaging Technologies Inc.</td>
<td>Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment</td>
<td>America</td>
<td>1993</td>
</tr>
<tr>
<td>Manufacturing and Processing</td>
<td>KPS Americas Corporation</td>
<td>Manufacture and sale of moulded plastic moulding components and products</td>
<td>America</td>
<td>2000</td>
</tr>
<tr>
<td>Sales</td>
<td>Nagase America Corporation</td>
<td>Import/export, domestic sales, marketing</td>
<td>America</td>
<td>1971</td>
</tr>
<tr>
<td>Sales</td>
<td>Nagase Enterprise Mexico S.A. de C.V.</td>
<td>Import/export sales, intermediate trade, market development, information collection</td>
<td>Mexico</td>
<td>2010</td>
</tr>
<tr>
<td>Manufacturing and Processing</td>
<td>RT Tech Packaging Technologies GmbH</td>
<td>Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment</td>
<td>Germany</td>
<td>1995</td>
</tr>
<tr>
<td>Sales</td>
<td>Nagase (Europe) GmbH</td>
<td>Import/export, domestic sales, marketing</td>
<td>Germany</td>
<td>1980</td>
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</table>

**Consolidated subsidiary**  
- Company accounted for under the equity method

### Sales

<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>Nagase (Hong Kong) Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>1971</td>
</tr>
<tr>
<td>Sales</td>
<td>Nagase Parker Plastic Corporation</td>
<td>Sale of new and related products</td>
<td>Taiwan</td>
<td>1990</td>
</tr>
<tr>
<td>Sales</td>
<td>NAGASE &amp; CO., LTD.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>1971</td>
</tr>
<tr>
<td>Sales</td>
<td>Shanghai Nanhu Trading Co., Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>China</td>
<td>1997</td>
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<tr>
<td>Sales</td>
<td>Shanghai Hua Chang Trading Co., Ltd.</td>
<td>Sale of resins and related products</td>
<td>China</td>
<td>1998</td>
</tr>
<tr>
<td>Sales</td>
<td>PT. Toyo Quality One Indonesia</td>
<td>Manufacture of flame lamination products</td>
<td>Indonesia</td>
<td>2008</td>
</tr>
<tr>
<td>Sales</td>
<td>Dainichi Color Vietnam Co., Ltd.</td>
<td>Manufacture and sale of color masterbatch blend for plastic</td>
<td>Vietnam</td>
<td>2006</td>
</tr>
<tr>
<td>Sales</td>
<td>Nafuko Co., Ltd.</td>
<td>Manufacture, import/export and sale of packaging materials and related equipment</td>
<td>Thailand</td>
<td>1996</td>
</tr>
<tr>
<td>Sales</td>
<td>Automotive Mold Technology Co., Ltd.</td>
<td>Manufacture of automotive molds and dies</td>
<td>Thailand</td>
<td>1991</td>
</tr>
<tr>
<td>Sales</td>
<td>Daiichi Color Vietnam Co., Ltd.</td>
<td>Manufacture and sale of color masterbatch blend for plastic</td>
<td>Vietnam</td>
<td>2006</td>
</tr>
<tr>
<td>Sales</td>
<td>PT. Import Quality One Indonesia</td>
<td>Manufacture of Fame lamination products</td>
<td>Indonesia</td>
<td>2007</td>
</tr>
</tbody>
</table>

### Integrated Report 2017

- Page dimensions: 1190.5x841.9
- [Integrated Report 2017](#)
Overview

Company Name: NAGASE & CO., LTD.

Founded: June 18, 1832

Establishment: December 9, 1917

Capital: ¥9,699 million

Employees: 944 (Consolidated: 6,241)

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


Main Offices:
- Osaka Head Office: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668, Tel: (81) 6-6535-2114
- Tokyo Head Office: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355, Tel: (81) 3-3665-3021
- Nagoya Branch Office: 3-14-18, Marunouchi, Naka-ku, Nagoya City, Aichi 460-8560, Tel: (81) 52-963-5615
- Nagase R&D Center: Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, Hyogo 651-2241, Tel: (81) 78-992-3162
- Nagase Application Workshop: 2-4-45, Higashitsukaguchicho, Amagasaki City, Hyogo 661-0011, Tel: (81) 6-4961-6730

Corporate Information (as of March 31, 2017)

Organization (as of April 1, 2017)

Audit & Supervisory Board
- Audit & Supervisory Board Member
- Shareholders’ Meeting
- Board of Directors
- President

Risk Management & Compliance Committee
- Internal Control Committee
- Security Trade Control Committee

Corporate Planning Div.
- New Value Creation Office
- BPR & Administration Div.
- Logistics Management Div.
- Finance Div.
- Accounting Div.
- Legal & Credit Div.
- Information Technology Div.
- Audit Office

Functional Materials Segment
- Functional Materials Dept.
- Speciality Chemicals Dept.

Advanced Materials & Processing Segment
- Colors & Advanced Processing Dept.
- Polymer Global Account Dept.
- Electronic segment
- Electronic Chemicals Dept.
- Electronic Materials Dept.

Performance Chemicals Dept.
- Automotive Solutions Dept.
- Energy Business Office

Life & Healthcare Segment
- Life & Healthcare Products Dept.

Nagase R&D Center
- Nagase Application Workshop

Auditor Information

NAGASE & CO., LTD.
Integrated Report 2017

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Investor Information (as of March 31, 2017)

Stock Exchange... Tokyo (First Section)
- Code: 8012
- Stock Status: Authorized Number of Shares 346,080,000 shares
  - Issued Number of Shares 127,408,285 shares
- Number of Shareholders: 10,384

Composition of Shareholders

- Treasury Stock (1): 1,287 thousand shares (0.37%)
- Other Shares (2,215): 10,286 thousand shares
- Individuals and Others (3,847): 20,793 thousand shares
- Foreign Investors (246): 45,760 thousand shares
- Financial Institutions (51): 42,800 thousand shares
- Securities Companies (24): 13,146 thousand shares (0.39%)
- Securities Companies (4): 66,636 thousand shares (1.91%)

Principal Shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Held</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>6,836</td>
<td>5.37</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>6,161</td>
<td>4.84</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>4,539</td>
<td>3.66</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>4,377</td>
<td>3.46</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS</td>
<td>4,193</td>
<td>3.29</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>3,589</td>
<td>2.82</td>
</tr>
<tr>
<td>Reiko Nagase</td>
<td>3,555</td>
<td>2.79</td>
</tr>
<tr>
<td>Hiroshi Nagase</td>
<td>2,948</td>
<td>2.31</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (AVFC) SUB-A/C NON TREATY</td>
<td>2,787</td>
<td>2.20</td>
</tr>
</tbody>
</table>

* Shares owned by Hiroshi Nagase include shares nominally owned by the NAGASE & CO., LTD. Officers’ Shareholding Association

Monthly Share Price Range of NAGASE

Monthly Trading Volume

[Graphs and charts illustrating share price and trading volume data are not included in this text.]