

*This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.*

Securities identification code: 8012  
May 31, 2018

To our shareholders:

Kenji Asakura  
Representative Director and President  
**NAGASE & CO., LTD.**  
1-1-17, Shinmachi, Nishi-ku,  
Osaka City, Osaka, Japan  
5-1, Nihonbashi-Kobunacho, Chuo-ku,  
Tokyo, Japan (Tokyo Head Office)

## NOTICE OF THE 103RD ANNUAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 103rd Annual Shareholders' Meeting of NAGASE & CO., LTD. (the "Company"), which will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by postal mail or via the Internet, etc. We request that you exercise your voting rights on or before 5:15 p.m. on Thursday, June 21, 2018 after considering the following Reference Documents for the Annual Shareholders' Meeting.

### Meeting Details

- Date and time:** Friday, June 22, 2018 at 10:00 a.m. (Reception begins at 9:00 a.m.)  
(Japan Standard Time)
- Venue:** Nihonbashi Mitsui Hall  
COREDO Muromachi 1 (Reception: 4th floor)  
2-2-1, Nihonbashi-muromachi, Chuo-ku, Tokyo
- Purposes:**

#### Items to be reported:

- Business Report and Consolidated Financial Statements for the 103rd Term (from April 1, 2017 to March 31, 2018), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditor and Audit & Supervisory Board
- Non-Consolidated Financial Statements for the 103rd Term (from April 1, 2017 to March 31, 2018)

#### Items to be resolved:

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Election of ten (10) Directors
- Proposal 3:** Election of one (1) Audit & Supervisory Board Member
- Proposal 4:** Election of one (1) substitute Audit & Supervisory Board Member

**4. Other matters relating to this Notice:**

Pursuant to laws and regulations and Article 14 of the Articles of Incorporation, information concerning the following matters is contained on the Company's website (<https://www.nagase.co.jp/>) and consequently is not included in the provided documents.

(1) Notes to Consolidated Financial Statements

(2) Notes to Non-Consolidated Financial Statements

The Consolidated Financial Statements and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members and the Independent Auditor comprise Notes to Consolidated Financial Statements and Notes to Non-Consolidated Financial Statements posted on the Company's website as well as each document attached to this Notice of the Shareholders Meeting.

**5. Instructions on exercising voting rights:**

Please refer to "Instructions on exercising voting rights." (Japanese only)

## Reference Documents for the Annual Shareholders' Meeting

### Proposal 1: Appropriation of surplus

The Company proposes the appropriation of surplus as follows:

Matters related to year-end dividend

The Company's basic policy is to continue paying a stable dividend to its shareholders in line with its consolidated results as it improves earnings power and management structure. The Company looks to improve per-share dividends based on consideration of consolidated payout ratio and consolidated dividend to equity ratio. The Company also plans to use funds from internal reserves effectively in its business expansion and to build stronger management platform. For this fiscal year, the Company proposes a year-end dividend of 23 yen per share, consisting of an ordinary dividend of 18 yen and a special dividend of 5 yen, based on consideration of its consolidated results, financial conditions and other matters.

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

23 yen per common stock of the Company

Total amount of dividends: 2,879,883,337 yen

(3) Effective date of distribution of dividends of surplus

June 25, 2018

## Proposal 2: Election of ten (10) Directors


The terms of office of all ten Directors, Hiroshi Nagase, Reiji Nagase, Kenji Asakura, Mitsuro Naba, Osamu Morishita, Kohei Sato, Ichiro Wakabayashi, Takanori Yamauchi, Hidenori Nishi, and Nobumasa Kemori expire at the conclusion of this meeting. Of these, Kohei Sato will depart from the Company, and accordingly the proposal is for the election of ten Directors (including two outside Directors), including the re-election of nine Directors and new election of one Director.


The candidates for Directors are as follows:


| No. | Name                                                                           | Position and responsibilities in the Company                                                                                                                                                                         | Attendance of Board of Directors meetings (fiscal year ended March 31, 2018) | Length of service (as of conclusion of this meeting) | Number of other listed companies where concurrent positions are held |
|-----|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------------|
| 1   | Hiroshi Nagase<br>[Reelection]<br>[Inside Director]                            | Representative Director and Chairman                                                                                                                                                                                 | 16 out of 16 (100%)                                                          | 29 years                                             | 0                                                                    |
| 2   | Reiji Nagase<br>[Reelection]<br>[Inside Director]                              | Director and Vice Chairman                                                                                                                                                                                           | 16 out of 16 (100%)                                                          | 23 years                                             | 0                                                                    |
| 3   | Kenji Asakura<br>[Reelection]<br>[Inside Director]                             | Representative Director, President and CEO                                                                                                                                                                           | 16 out of 16 (100%)                                                          | 5 years                                              | 0                                                                    |
| 4   | Mitsuro Naba<br>[Reelection]<br>[Inside Director]                              | Representative Director and Senior Managing Executive Officer, in charge of Corporate Administration                                                                                                                 | 16 out of 16 (100%)                                                          | 5 years                                              | 0                                                                    |
| 5   | Osamu Morishita<br>[Reelection]<br>[Inside Director]                           | Director and Managing Executive Officer, in charge of Manufacturing, Osaka region, Energy Business Office and special missions                                                                                       | 16 out of 16 (100%)                                                          | 6 years                                              | 0                                                                    |
| 6   | Ichiro Wakabayashi<br>[Reelection]<br>[Inside Director]                        | Director and Managing Executive Officer, in charge of Corporate Sales & Marketing                                                                                                                                    | 16 out of 16 (100%)                                                          | 3 years                                              | 0                                                                    |
| 7   | Takanori Yamauchi<br>[Reelection]<br>[Inside Director]                         | Director and Executive Officer, General Manager of Human Resources & General Affairs Div., General Manager of BPR & Administration Div., and General Manager of Legal Div., in charge of Information Technology Div. | 12 out of 12 (100%)                                                          | 1 year                                               | 0                                                                    |
| 8   | Hidenori Nishi<br>[Reelection]<br>[Outside Director]<br>[Independent officer]  | Outside Director                                                                                                                                                                                                     | 16 out of 16 (100%)                                                          | 4 years                                              | 0                                                                    |
| 9   | Nobumasa Kemori<br>[Reelection]<br>[Outside Director]<br>[Independent officer] | Outside Director                                                                                                                                                                                                     | 16 out of 16 (100%)                                                          | 2 years                                              | 0                                                                    |
| 10  | Masaya Ikemoto<br>[New election]<br>[Inside Director]                          | (New election)                                                                                                                                                                                                       | -                                                                            | -                                                    | 1                                                                    |

Notes:


1. The number of the Board of Directors meetings does not include resolutions made in writing. The number of the Board of Directors meetings indicated with regard to attendance at meetings by Takanori Yamauchi is the number of meetings since he was elected as Director.
2. The number of other listed companies where concurrent positions are held refers to the number of listed companies other than the Company, where the candidate holds a directorial position.
3. Masaya Ikemoto is an Outside Director of KASAI KOGYO CO., LTD., and will depart from this company at the conclusion of its Regular general shareholders meeting scheduled to be held in June 2018.


| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                              | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Number of the Company's shares held |
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| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="325 725 504 790"><b>Hiroshi Nagase</b><br/>(July 18, 1949)</p> <p data-bbox="268 810 560 869">Length of service: 29 years (as of conclusion of this meeting)</p> <p data-bbox="268 891 560 949">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p> | <p data-bbox="592 331 1174 680"> April 1977    Joined the Company<br/> April 1988    General Manager of Plastics Dept. 2<br/> June 1989    Director<br/> June 1995    Managing Director<br/> June 1997    Representative Director and Senior Managing Director<br/> June 1999    Representative Director and President<br/> June 2001    Representative Director and President and CEO<br/> April 2015    Representative Director and Chairman (present position) </p> <p data-bbox="592 719 1126 777">[Significant concurrent positions outside the Company]<br/>None</p> | 2,350,147                           |
| <p data-bbox="248 981 751 1010"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="268 1014 1417 1133">Hiroshi Nagase has exceptional knowledge and results in the plastics, electronics, and management (general) planning fields in which he has worked since joining the Company and has the character suitable as a manager of the Company. In light of his extensive experience in operations and management including serving as President from 1999 to 2015, Mr. Nagase is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                     |


| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                            | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of the Company's shares held |
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| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="339 725 488 790"><b>Reiji Nagase</b><br/>(June 24, 1955)</p> <p data-bbox="268 808 560 869">Length of service: 23 years (as of conclusion of this meeting)</p> <p data-bbox="268 891 560 952">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p> | <p data-bbox="592 331 1190 427">April 1978      Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p data-bbox="592 432 834 461">June 1994      Retired</p> <p data-bbox="592 465 963 495">July 1994      Joined the Company</p> <p data-bbox="592 499 1190 651">June 1995      Director, General Manager of Chemicals Management Office, Plastics and Industrial Materials Management Office, and Management Office and Equipment System Office</p> <p data-bbox="592 656 951 685">June 1999      Managing Director</p> <p data-bbox="592 689 1169 719">June 2001      Managing Director and Executive Officer</p> <p data-bbox="592 723 1094 784">April 2003      Managing Director and Managing Executive Officer</p> <p data-bbox="592 788 1169 817">June 2003      Director and Managing Executive Officer</p> <p data-bbox="592 822 1163 882">April 2009      Director and Senior Managing Executive Officer</p> <p data-bbox="592 887 1106 947">June 2010      Representative Director and Senior Managing Executive Officer</p> <p data-bbox="592 952 1123 1012">April 2015      Director and Vice Chairman (present position)</p> <p data-bbox="592 1039 1169 1162">[Significant concurrent positions outside the Company]<br/>Representative Director of Nagase Science and Technology Foundation<br/>Representative Director of Hayashibara Museum of Art</p> | 87,017                              |
| <p data-bbox="248 1176 751 1205"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="268 1209 1409 1361">Reiji Nagase has exceptional knowledge and results in the chemical product, plastics and other fields in which he has worked since joining the Company and has the character suitable as a manager of the Company. In light of his outstanding operational abilities and extensive experience in operations and management gained by serving as president of a number of major manufacturing subsidiary companies of the Group, Mr. Nagase is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |


| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                   | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                              | Number of the Company's shares held |
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| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="328 725 509 790"><b>Kenji Asakura</b><br/>(December 11, 1955)</p> <p data-bbox="261 810 571 869">Length of service: Five years (as of conclusion of this meeting)</p> <p data-bbox="269 891 563 949">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p> | <p data-bbox="592 338 1190 589">           April 1978    Joined the Company<br/>           October 2006    General Manager of Automotive Solutions Dept.<br/>           April 2009    Executive Officer and General Manager of Automotive Solutions Dept.<br/>           June 2013    Director and Executive Officer<br/>           April 2015    Representative Director, President and CEO (present position)         </p> <p data-bbox="592 622 1129 680">[Significant concurrent positions outside the Company]<br/>None</p> | 13,509                              |
| <p data-bbox="248 981 751 1010"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="272 1014 1423 1196">Kenji Asakura has worked mainly in the electronics, automotive solutions and management (general) planning fields since joining the Company. He has a character suitable as a manager of the Company and was appointed as Representative Director and President of the Company in April 2015. Since then, with his extensive experience in operations and outstanding operational abilities, he has improved the corporate value of the Company and driven forward the <b>ACE-2020</b> mid-term management plan. In light of his extensive experience in operations to date and his knowledge in the Company's overall management, Mr. Asakura is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |





| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                             | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
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| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="331 725 496 790"><b>Mitsuro Naba</b><br/>(July 1, 1954)</p> <p data-bbox="260 810 571 869">Length of service: Five years (as of conclusion of this meeting)</p> <p data-bbox="268 891 563 949">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p> | <p data-bbox="592 331 1190 712"> April 1978    Joined the Company<br/> April 2005    General Manager of Display Business Dept.<br/> April 2009    Executive Officer and General Manager of Specialty Chemicals Dept.<br/> June 2013    Director and Executive Officer<br/> April 2015    Representative Director and Managing Executive Officer<br/> April 2017    Representative Director and Senior Managing Executive Officer<br/> April 2018    Representative Director and Senior Managing Executive Officer, in charge of Corporate Administration (present position) </p> <p data-bbox="592 748 1126 806">[Significant concurrent positions outside the Company]<br/>None</p> | 14,280                              |
| <p data-bbox="248 981 751 1010"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="268 1014 1406 1164">Mitsuro Naba has worked mainly in the plastics, electronics and management (general) planning fields since joining the Company. With his character suitable for being a part of the Company's management team, he is currently in charge of Corporate Administration and strives to pursue efficiency and reinforce the management platform to respond to environmental changes. In light of his extensive experience in operations to date and his knowledge in the Company's overall management, Mr. Naba is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                     |


| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                              | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
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| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="316 725 512 790"><b>Osamu Morishita</b><br/>(January 2, 1957)</p> <p data-bbox="268 804 563 853">Length of service: Six years (as of conclusion of this meeting)</p> <p data-bbox="268 878 563 965">Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p> | <p data-bbox="592 331 1177 618"> April 1979      Joined the Company<br/> April 2009      Executive Officer, COO of Shanghai Nagase Trading Co., Ltd.<br/> June 2012      Director and Executive Officer<br/> April 2015      Director and Managing Executive Officer<br/> April 2018      Director and Managing Executive Officer, in charge of Manufacturing, Osaka region, Energy Business Office and special missions (present position) </p> <p data-bbox="592 656 1126 712">[Significant concurrent positions outside the Company]<br/>None</p> | 12,949                              |
| <p data-bbox="248 999 751 1028"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="268 1030 1406 1214">Osamu Morishita has worked mainly in the chemical product and research and development fields since joining the Company and served as an area manager of the Northeast Asia region. With his character suitable for being a part of the Company's management team, he is currently in charge of Manufacturing, Osaka region, Energy Business Office and others, and especially strives to improve the profitability of the manufacturing business. In light of his extensive experience in operations to date and his knowledge in the Company's overall management, Mr. Morishita is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
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| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="300 725 528 790"><b>Ichiro Wakabayashi</b><br/>(October 25, 1957)</p> <p data-bbox="256 804 576 853">Length of service: Three years (as of conclusion of this meeting)</p> <p data-bbox="268 878 564 965">Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p> | <p data-bbox="592 331 1190 618"> April 1981      Joined the Company<br/> April 2008      General Manager of Industrial Material Dept.<br/> April 2010      Executive Officer, General Manager of Industrial Material Dept.<br/> June 2015      Director and Executive Officer<br/> April 2018      Director and Managing Executive Officer, in charge of Corporate Sales &amp; Marketing (present position) </p> <p data-bbox="592 656 1126 712">[Significant concurrent positions outside the Company]<br/>None</p> | 9,622                               |
| <p data-bbox="248 999 751 1028"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="272 1032 1414 1182">Ichiro Wakabayashi has worked mainly in the plastics field since joining the Company and served as an area manager of the Southeast Asia region. With his character suitable for being a part of the Company's management team, he is currently in charge of Corporate Sales &amp; Marketing and strives to accelerate globalization as well as investments for the Company as a whole. In light of his extensive experience in operations to date and his knowledge in the Company's overall management, Mr. Wakabayashi is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Number of the Company's shares held |
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| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="300 725 528 790"><b>Takanori Yamauchi</b><br/>(September 18, 1961)</p> <p data-bbox="268 804 563 853">Length of service: One year (as of conclusion of this meeting)</p> <p data-bbox="268 878 563 965">Attendance of Board of Directors meetings: 12 out of 12 Board of Directors meetings (100%)</p> | <p data-bbox="592 331 1182 456">April 1984    Joined the Company<br/>April 2013    Executive Officer and General Manager of Corporate Planning Office and Information Technology Div.</p> <p data-bbox="592 465 1182 680">June 2017    Director and Executive Officer<br/>April 2018    Director and Executive Officer, General Manager of Human Resources &amp; General Affairs Div., General Manager of BPR &amp; Administration Div., and General Manager of Legal Div., in charge of Information Technology Div. (present position)</p> <p data-bbox="592 689 1129 741">[Significant concurrent positions outside the Company]<br/>None</p> | 10,609                              |
| <p data-bbox="248 999 751 1028"><b>Reason for nomination as candidate for Director</b></p> <p data-bbox="272 1032 1398 1214">Takanori Yamauchi has worked mainly in the finance, human resources and management (general) planning fields since joining the Company. With his character suitable for being a part of the Company's management team, he is currently in charge of Human Resources &amp; General Affairs Div., BPR &amp; Administration Div., Legal Div. and Information Technology Div., and strives to pursue efficiency and reinforce the management platform to respond to environment changes. In light of his extensive experience in operations to date and his knowledge in the Company's overall management, Mr. Yamauchi is nominated as a candidate for Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Number of the Company's shares held |
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| 8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p data-bbox="277 338 547 394">[Outside Director] [Reelection]<br/>[Independent officer]</p>  <p data-bbox="328 759 497 819"><b>Hidenori Nishi</b><br/>(January 6, 1951)</p> <p data-bbox="260 844 568 900">Length of service: Four years (as of conclusion of this meeting)</p> <p data-bbox="269 925 558 1010">Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p> | <p data-bbox="592 338 1193 875"> April 1975    Joined KAGOME CO., LTD.<br/> June 2000    Director of KAGOME CO., LTD.<br/> June 2003    Director and Executive Officer of KAGOME CO., LTD.<br/> June 2005    Director and Managing Executive Officer of KAGOME CO., LTD.<br/> June 2008    Director and Senior Managing Executive Officer of KAGOME CO., LTD.<br/> April 2009    Representative Director and President of KAGOME CO., LTD.<br/> January 2014   Representative Director and Chairman of KAGOME CO., LTD.<br/> June 2014    Director of the Company (present position)<br/> March 2016   Chairman of the Board of KAGOME CO., LTD.<br/> March 2018   Resigned as Chairman of the Board of KAGOME CO., LTD. </p> <p data-bbox="592 911 1126 967">[Significant concurrent positions outside the Company]<br/>Chairman of Japan Canners Association</p> | 1,178                               |
| <p data-bbox="248 1046 831 1070"><b>Reason for nomination as candidate for outside Director</b></p> <p data-bbox="272 1077 1409 1227">Hidenori Nishi has been involved in management of KAGOME CO., LTD. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance. Accordingly, we request that Mr. Nishi be elected as outside Director.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |
| <p data-bbox="248 1258 820 1283"><b>Special notes concerning candidate for outside Director</b></p> <p data-bbox="248 1290 1423 1639"> 1. Mr. Nishi does not have any personal relationships, capital relationships, business relationships, or other interests with the Company, other than owning the Company's shares. Mr. Nishi is former Chairman of the Board of KAGOME CO., LTD., and Chairman of the Japan Canners Association, but the Company does not have any business relationships with these companies and organizations.<br/> 2. Dynapac Co., Ltd., of which Mr. Nishi was an Outside Director, was subject to on-site inspections by the Japan Fair Trade Commission in June and September of 2012 on the grounds of suspicion of violations of the Anti-monopoly Act in relation to cardboard box and cardboard sheet transactions, and the Japan Fair Trade Commission made a finding of violation of Article 3 of the Anti-monopoly Act (prohibition of unreasonable restraint of trade) in June 2014. The Commission issued a cease-and-desist order and imposed fines on that company. In response to this incident, Mr. Nishi has been fulfilling his responsibilities including conducting a thorough investigation to identify the causes and reinforcing the compliance system to ensure that there is no recurrence. </p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number of the Company's shares held |
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| 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p data-bbox="277 331 552 394">[Outside Director] [Reelection]<br/>[Independent officer]</p>  <p data-bbox="304 757 521 819"><b>Nobumasa Kemori</b><br/>(April 12, 1951)</p> <p data-bbox="260 835 571 887">Length of service: Two years (as of conclusion of this meeting)</p> <p data-bbox="268 907 563 996">Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p> | <p data-bbox="592 331 1193 712">September 1980 Joined Sumitomo Metal Mining Co., Ltd.<br/>June 2006 Managing Executive Officer and Director of Sumitomo Metal Mining Co., Ltd.<br/>June 2007 Representative Director and President of Sumitomo Metal Mining Co., Ltd.<br/>June 2013 Representative Director and Chairman of Sumitomo Metal Mining Co., Ltd.<br/>June 2016 Director and Chairman of Sumitomo Metal Mining Co., Ltd.<br/>June 2016 Director of the Company (present position)<br/>June 2017 Executive Adviser of Sumitomo Metal Mining Co., Ltd. (present position)</p> <p data-bbox="592 748 1126 808">[Significant concurrent positions outside the Company]<br/>None</p> | 1,765                               |
| <p data-bbox="248 1028 831 1055"><b>Reason for nomination as candidate for outside Director</b></p> <p data-bbox="269 1061 1398 1211">Nobumasa Kemori has been involved in management of Sumitomo Metal Mining Co., Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. He will use this knowledge and experience to make proposals concerning the Company's overall management from a perspective of familiarity with industry and is expected to enhance the Company's corporate governance. Accordingly, we request that Mr. Kemori be elected as outside Director.</p>                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                     |
| <p data-bbox="248 1240 820 1267"><b>Special notes concerning candidate for outside Director</b></p> <p data-bbox="269 1274 1393 1489">Mr. Kemori does not have any personal relationships, capital relationships, business relationships, or other interests with the Company, other than owning the Company's shares. Mr. Kemori is Executive Adviser of Sumitomo Metal Mining Co., Ltd., and there are sales transactions between the Company and Sumitomo Metal Mining Co., Ltd., but the amount of those transactions in the fiscal year ended March 2018 was below 0.1% of the net sales of the Company, which in light of the scale of the Company's net sales, is not significant to give rise to a special relationship. The Company believes that there is no likelihood of a conflict of interests between Mr. Kemori and general shareholders arising from his status as outside Director.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                     |

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Name<br>(Date of birth)                                                                                                                                                  | Career summary, position, responsibilities and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Number of the Company's shares held |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| 10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>[Inside Director] [New election]</p>  <p>Masaya Ikemoto<br/>(September 20, 1961)</p> | <p>April 1984      Joined the Company</p> <p>January 2006    Management of Electronic Chemicals Dept. and Management of Electronic &amp; Structural Materials Section</p> <p>March 2010      COO of Nagase (Europa) GmbH</p> <p>April 2013      General Manager of Automotive Solutions Dept. of the Company</p> <p>April 2015      Executive Officer and General Manager of Automotive Solutions Dept., Manager of Nagoya Branch</p> <p>April 2016      Executive Officer and General Executive of Automotive &amp; Energy Segment, General Manager of Automotive Solutions Dept., Manager of Nagoya Branch</p> <p>October 2017    Executive Officer and General Manager of Corporate Planning Div., Manager of Nagoya Branch</p> <p>April 2018      Executive Officer and General Manager of Corporate Planning Div., in charge of affiliates and New Value Creation Dept. (present position)</p> <p>[Significant concurrent positions outside the Company]<br/>Outside Director of KASAI KOGYO CO., LTD.<br/>(Mr. Ikemoto will depart from this company at the conclusion of its Regular general shareholders meeting scheduled to be held in June 2018.)</p> | 3,353                               |
| <p><b>Reason for nomination as candidate for Director</b></p> <p>Masaya Ikemoto has exceptional knowledge and results in the plastics, electronics and management (general) planning fields in which he has worked since joining the Company. In light of his character suitable for being a part of the Company's management team, outstanding operational abilities gained through experience as General Manager of the Automotive Solutions Dept. and in other positions, Mr. Ikemoto is nominated as a candidate for Director.</p> |                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                     |

Notes:

- Hidenori Nishi and Nobumasa Kemori are candidates for outside Director and are independent officers pursuant to the regulations of financial instruments exchanges.
- Special interests with the Company
  - Candidate Reiji Nagase also serves as Representative Director of Nagase Science and Technology Foundation, to which the Company makes contributions.
  - Candidate Reiji Nagase also serves as Representative Director of Hayashibara Museum of Art. Hayashibara Co., Ltd., a wholly owned subsidiary of the Company, makes contributions to the museum.
  - There are no special interests between the other candidates and the Company.
- Agreement limiting liability of outside Director

Pursuant to the Articles of Incorporation, the Company has entered into agreements with outside Directors Hidenori Nishi and Nobumasa Kemori, limiting liability to the Company for damage to a certain degree. If this proposal is approved, the Company plans to renew that agreement with Mr. Nishi and Mr. Kemori under the same terms respectively. A summary of the agreements is as follows:

If the Company incurs damage as a result of the failure of the outside Director to perform his duties, as long as the outside Director performed his duties in good faith and without gross negligence, the liability for damage that the outside Director shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, paragraph 1 of the Companies Act.
- Areas of responsibility of candidate Takanori Yamauchi will be changed as follows as of June 1, 2018:

New responsibility: General Manager of BPR & Administration Div. and General Manager of Legal Div., in charge of Information Technology Div. and Human Resources & General Affairs Div.


5. The number of Board of Directors meetings does not include resolutions made in writing. The number of Board of Directors meetings indicated with regard to attendance at meetings by Takanori Yamauchi is the number of meetings since he was elected as Director.
6. Shares of the Company held by each candidate include shares nominally held by NAGASE & CO., LTD. Officer's Shareholding Association and NAGASE & CO., LTD. Own Share Investment Association.



**Proposal 3: Election of one (1) Audit & Supervisory Board Member**

Toshio Takano, the Audit & Supervisory Board Member, will resign at the conclusion of this meeting, and accordingly, the proposal is for the election of one Audit & Supervisory Board Member. The Audit & Supervisory Board has given its consent to this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

| Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Career summary, position and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Number of the Company's shares held |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <p>[External Audit &amp; Supervisory Board Member] [New election]<br/>[Independent officer]</p>  <p><b>Gan Matsui</b><br/>(December 13, 1953)</p>                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>April 1980 Prosecutor, Tokyo District Public Prosecutors Office</p> <p>April 1990 Prosecutor, Tokyo District Public Prosecutors Office (Special Investigation Department)</p> <p>January 2005 Director-General, Special Trial, Tokyo District Public Prosecutors Office</p> <p>October 2010 Deputy Chief Prosecutor, Osaka High District Public Prosecutors Office</p> <p>June 2012 Director, Criminal Affairs Department, Supreme Public Prosecutors Office</p> <p>January 2014 Chief Prosecutor, Yokohama District Public Prosecutors Office</p> <p>January 2015 Superintending Prosecutor, Fukuoka High District Public Prosecutors Office</p> <p>November 2016 Registered as an attorney at law of the Japan Federation of Bar Associations (a member of Tokyo Bar Association)<br/>Yaesu Sogo Law Office (present position)</p> <p>[Significant concurrent positions outside the Company]<br/>Outside Audit &amp; Supervisory Board Member of Orient Corporation<br/>Attorney in Yaesu Sogo Law Office</p> | 0                                   |
| <p><b>Reason for nomination as candidate for External Audit &amp; Supervisory Board Member</b></p> <p>Gan Matsui does not have direct managerial experience, but he has extensive experience in the legal field and possesses considerable knowledge regarding compliance and governance. We determined that he will assess the legality of execution of operations by Directors and the appropriateness of accounting audit from an independent and fair standpoint as External Audit &amp; Supervisory Board Member, and that his valuable advice will help ensure the soundness of management of the Company. Accordingly, we request his election.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |
| <p><b>Special notes concerning candidate for External Audit &amp; Supervisory Board Member</b></p> <p>Mr. Matsui does not have any personal relationships, capital relationships, business relationships, or other interests with the Company. Mr. Matsui is Outside Audit &amp; Supervisory Board Member of Orient Corporation and Attorney in Yaesu Sogo Law Office, but the Company does not have any business relationships with these companies.</p>                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                     |

Notes:

- Gan Matsui is a candidate for external Audit & Supervisory Board Member and the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
- Agreement limiting liability of External Audit & Supervisory Board Members  
If Gan Matsui, a candidate for External Audit & Supervisory Board Member, is elected, the Company plans to enter into an agreement with Mr. Matsui pursuant to the Articles of Incorporation limiting liability to the Company for damage to a certain degree. A summary of the agreements is as follows:  
If the Company incurs damage as a result of the failure of the External Audit & Supervisory Board Member to perform his duties, as long as the external Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the external Audit & Supervisory Board Member shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, paragraph 1 of the Companies Act.

**Proposal 4: Election of one (1) substitute Audit & Supervisory Board Member**

The Company proposes to elect one (1) substitute Audit & Supervisory Board Member to prepare for a contingency in which the Company does not have the number of Audit & Supervisory Board Members required by laws and regulations. The Audit & Supervisory Board has given its consent to this proposal.

The candidate for substitute Audit & Supervisory Board Member is as follows:

| Name<br>(Date of birth)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Career summary, position and significant concurrent positions outside the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of the Company's shares held |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| <p>[External Audit &amp; Supervisory Board Member] [Reelection]<br/>[Independent officer]</p> <p>Hidekado Miyaji<br/>(February 11, 1952)</p>                                                                                                                                                                                                                                                                                                                                                                                         | <p>April 1975 Official at Income Tax Division of National Tax Agency</p> <p>July 1982 Superintendent of Mikuni Tax Office, Kanazawa Regional Taxation Bureau</p> <p>July 1987 Director of Administrative Services Bureau, Iwate Prefectural Police Headquarters</p> <p>July 1991 Consul of the Consulate General of Japan in New York</p> <p>July 1996 Director (Mutual Agreement Procedures), National Tax Agency</p> <p>July 1999 Director of Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau</p> <p>July 2002 Director, Research Department, National Tax College</p> <p>August 2003 Professor, Department of Social-Human Environmentology, Daito Bunka University (present position)</p> <p>[Significant concurrent positions outside the Company]<br/>None</p> | 0                                   |
| <p><b>Reason for nomination as candidate for substitute External Audit &amp; Supervisory Board Member</b></p> <p>Hidekado Miyaji does not have direct managerial experience, but he has held a number of important posts in public service. Based on his high degree of specialization relating to taxes and corporate accounting and experience in perspective as a university professor, we determined that he will properly perform his duties as External Audit &amp; Supervisory Board Member, and we request his election.</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |
| <p><b>Special notes concerning candidate for substitute External Audit &amp; Supervisory Board Member</b></p> <p>There is no special interest between the candidate and the Company.</p>                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                     |

Notes:

1. Hidekado Miyaji is a candidate for substitute External Audit & Supervisory Board Member, and if he is elected as External Audit & Supervisory Board Member, the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
2. Agreement limiting liability of candidates of substitute External Audit & Supervisory Board Members  
If Hidekado Miyaji, a candidate for substitute external Audit & Supervisory Board Member, is elected as External Audit & Supervisory Board Member, the Company plans to enter into an agreement with Mr. Miyaji pursuant to the Articles of Incorporation limiting liability to the Company for damage to a certain degree. A summary of the agreements is as follows:  
  
If the Company incurs damage as a result of the failure of the external Audit & Supervisory Board Member to perform his duties, as long as the external Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the external Audit & Supervisory Board Member shall owe to the Company shall be limited to the minimum amount of liability specified in Article 425, paragraph 1 of the Companies Act.

## Business Report (April 1, 2017 to March 31, 2018)

### 1. Nagase Group business conditions

#### (1) Development and results of business operations

During the fiscal year, the Japanese economy maintained an upturn trend with improved corporate earnings, strong personal consumption on the back of improvements in the conditions surrounding employment and income, a stable capital investment, and other factors. The global economy also maintained a moderate recovery trend as a whole mainly due to sustained economic expansions in the U.S., China and emerging countries, while facing risks of currency and market fluctuations arising from the financial and trade policies of each country.

Under these circumstances, results during the fiscal year were domestic sales of 395.42 billion yen (up 7.1% from the previous fiscal year), overseas sales of 388.5 billion yen (up 10.1%) due to the impact of a weakened yen compared to the previous fiscal year, and reported record high net sales of 783.93 billion yen (up 8.5%).

With regard to profit, as a result of the higher revenues, the gross profit was 102.67 billion yen (up 12.2%). Operating income was 24.11 billion yen (up 60.5%) mainly due to a decrease in retirement benefit expense in connection with the amortization of actuarial losses. Ordinary income was 25.98 billion yen (up 58.8%), profit attributable to owners of parent was 17.17 billion yen (up 66.2%), also reported record high profits.

|                                         | Fiscal year ended | Fiscal year ended | Year on year      |       |
|-----------------------------------------|-------------------|-------------------|-------------------|-------|
|                                         | March 31, 2017    | March 31, 2018    | (Millions of yen) | (%)   |
| Net sales                               | 722,384           | 783,933           | 61,549            | 8.5%  |
| Operating income                        | 15,030            | 24,118            | 9,087             | 60.5% |
| Ordinary income                         | 16,361            | 25,982            | 9,620             | 58.8% |
| Profit attributable to owners of parent | 10,331            | 17,175            | 6,843             | 66.2% |

## Overview by Segment

### <Functional Materials>

Net sales

176.0 billion yen (up 14.7% from the previous fiscal year)

The Functional Materials segment recorded higher net sales in both domestic and overseas markets.

The Performance Chemicals business recorded significantly higher sales as a whole, due to increased sales of coating raw materials and urethane materials reflecting strong automobile productions both in Japan and overseas as well as due to sales growth brought by the acquisition of a distributor in the U.S.

The Specialty Chemicals business recorded higher sales as a whole. Sales of fluorochemicals, electronics chemicals and industrial oil materials mainly for electronics industries including semiconductors increased in Japan, while sales of electronics chemicals and others also grew overseas.

As a result, the segment recorded net sales of 176.06 billion yen for the year, representing a 22.52 billion yen (14.7%) increase year on year. Operating income for the segment was 5.17 billion yen, representing a 980 million yen (23.6%) increase year on year.

### <Advanced Materials & Processing>

Net sales

262.8 billion yen (up 8.3% from the previous fiscal year)

The Advanced Materials & Processing segment recorded higher net sales in both domestic and overseas markets.

The Colors & Advanced Processing business recorded higher sales as a whole. Sales of plastic resins for industrial and packaging applications, pigments/additives and digital print processing materials were higher in Japan, while sales of the print processing business were also brisk overseas.

The Polymer Global Account business mainly sells plastics to office equipment, appliance, and video game device markets. Here, net sales were higher as a whole, as net sales increased in Japan, Greater China, and ASEAN.

As a result, the segment recorded sales of 262.83 billion yen for the year, representing a 20.22 billion yen (8.3%) increase year on year. Operating income increased 1.6 billion yen (31.5%) to 6.7 billion yen.

### <Electronics>

Net sales

129.3 billion yen (up 1.3% from the previous fiscal year)

The Electronics segment recorded higher net sales as a whole due to strong performances of manufacturing subsidiaries both in Japan and overseas.

The Electronic Chemicals business recorded increased net sales as a whole, driven by higher sales of photolithography materials and equipment as well as strong sales of formulated epoxy resin mainly for the electric and electronic industries.

The Electronic Materials business recorded lower net sales as a whole, due to decreased sales of processing materials caused by smartphone model changeovers.

As a result, the segment recorded sales of 129.32 billion yen for the year, representing a 1.6 billion yen (1.3%) increase year on year. Operating income was 8.91 billion yen, representing a 2.58 billion yen (40.8%) increase year on year.

<Automotive & Energy>

Net sales

129.7 billion yen (up 14.8% from the previous fiscal year)

The Automotive Solutions business recorded higher sales as a whole mainly due to favorable performance of the resins business in Japan, Greater China and ASEAN. As a result, the segment recorded sales of 129.7 billion yen for the year, representing a 16.75 billion yen (14.8%) increase year on year. Operating income was 2.41 billion yen, representing an 870 million yen (56.9%) increase year on year.

<Life & Healthcare>

Net sales

85.3 billion yen (up 0.6% from the previous fiscal year)

The Life & Healthcare segment recorded net sales slightly higher as a whole. While sales were lower domestically, sales from overseas markets were higher.

The Life & Healthcare Products business recorded level sales of TREHA™ and other products to food ingredient makers in Japan, while sales were higher in overseas markets, mainly Europe. Although the business recorded lower sales of AA2G™ to major overseas customers in the skin care and toiletries field, sales of the same field in major Japanese customers grew year on year. In the medical and pharmaceuticals fields, sales of raw materials and intermediates for pharmaceuticals, medical materials and the formulations business were lower. As a result, the medical and pharmaceuticals business recorded slightly lower sales as a whole.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales as a whole due to weak performance in general.

As a result, the segment recorded sales of 85.37 billion yen for the year, representing a 460 million yen (0.6%) increase year on year. Operating income was 4.21 billion yen, which was an 880 million yen (26.5%) higher year on year.

<Other>

No special matters to disclose.

(2) Status of capital investment, etc.

During the fiscal year, the Group made 9.42 billion yen in capital investment (including intangible fixed assets), including 2.36 billion yen in capital investment in Kanto Oyama Factory of Totaku Industries, Inc. (in the Advanced Materials & Processing Segment).

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

| Segment                         | Amount (millions of yen) |
|---------------------------------|--------------------------|
| Functional Materials            | 243                      |
| Advanced Materials & Processing | 2,817                    |
| Electronics                     | 1,834                    |
| Automotive & Energy             | 191                      |
| Life & Healthcare               | 2,369                    |
| Other, Company-wide (common)    | 1,965                    |
| Total                           | 9,423                    |

(3) Status of capital procurement

During the fiscal year, the Group's short-term loans increased by 8.7 billion yen as a result of increase in working capital. The Group redeemed 10.0 billion yen in bonds and repaid 3.1 billion yen in long-term loans using cash flows from operating activities as the source of funds. At the same time, the Group procured 8.3 billion yen in long-term loans in order to finance capital investment by manufacturing subsidiaries, M&As in North America, etc. As a result of the above and effects from fluctuations in foreign currency exchange rates and other factors, the Group's interest-bearing liabilities increased by 4.1 billion yen.

Domestic Group companies, particularly wholly owned subsidiaries, in principle do not procure capital from outside the Group, and the Company performs centralized capital management. Also, the Group cash management system has been introduced in the U.S. and China to unify capital procurement and raise capital efficiency.

(4) Status of transfers of business, absorption-type company split or corporate divisions

No applicable information.

(5) Status of acquisition of business of other companies

No applicable information.

(6) Status of assumption of rights and duties relating to the business of other companies through absorption-type merger or company split

No applicable information.

(7) Status of acquisition or disposal of shares, other equity interests, or share options and the like of other companies

No applicable information.

(8) Issues to be addressed

The Company sees the long-term management policies and the issues raised in the **ACE-2020** mid-term management plan as issues to be addressed. Based on our long-term management policies, we have formulated the **ACE-2020** mid-term management plan for the five years between fiscal 2016 and fiscal 2020 with an aim of enhancing our corporate value. During these years, the Japanese economy is expected to grow moderately, but personal consumption and capital investment are unlikely to be a major growth driver for the domestic market. Meanwhile, regarding the global economy, strong economic growth is expected in the U.S. and emerging countries despite escalating geopolitical risk regarding the situation in North Korea, the Middle East and others. In these circumstances, we will strive to achieve dramatic growth through two kinds of reform, *Reform Profit Structure* and *Reform Corporate Culture* under **ACE-2020**. To this end, the Company aims to become a *Business Designer* that will provide new value by maximizing the leverage of its six functions, namely manufacturing, research, overseas network, logistics and investment functions in addition to a trading firm function. Under **ACE-2020**, we have categorized Life & Healthcare and Electronics as focus areas, given that the semiconductor and electronic component markets as well as food, medical and personal care markets are expected to grow and that we can expect to demonstrate our uniqueness by leveraging our manufacturing function. Likewise, we have categorized the Americas, whose markets are expected to grow, as a focus region, and we are seeking to expand profits by preferentially allocating resources to these focus areas and focus region.

Long-Term Management Policies

As we approach year 2032, our 200th anniversary, we planned long-term management policies to aim normalization of three times of profit of today through *Challenges for Growth* and *Reinforce the Management Platform for Growth* in the fiscal 2014.

Under *Challenges for Growth*, our aim is to realize significant growth that cannot be achieved only by extending its existing business, by allocating management resources to focused business and by shifting away from business that is reliant on conventional business models. Under *Reinforce the Management Platform for Growth*, we are constructing a management platform that will contribute to business expansion and globalization as we work to succeed in these challenges.

**ACE-2020** Mid-Term Management Plan

In order to achieve the objectives of the long-term management policies, we divided 17 years from the 2016 fiscal year into three stages and with the five years between fiscal 2016 and fiscal 2020 positioned as Stage 1: Reform and launched the **ACE-2020** mid-term management plan. The ACE in **ACE-2020** stands for Accountability, Commitment and Efficiency.

Under **ACE-2020**, we will step away from the idea of the Company as a trading firm first and foremost. We now consider the trading firm function as another of our Group functions, as we maximize the leverage of our manufacturing, research, overseas network, logistics, and investment functions, and strive to work together as a unified group to create and provide new value to the world.

During this period, we have set aside 100 billion yen for growth investments to increase group profits. Funds exceeding cash flows from operating activities will be procured primarily through interest-bearing bonds, while increased efficiency in the use of operating capital and replacement of assets will support a stronger financial foundation and stable dividends over the long term.

The following table shows the quantitative targets of **ACE-2020**:

|                               | Targets                  | Fiscal 2017       | Fiscal 2016       |
|-------------------------------|--------------------------|-------------------|-------------------|
| Consolidated sales            | 1.0 trillion yen or more | 783.9 billion yen | 722.3 billion yen |
| Consolidated operating income | 30.0 billion yen or more | 24.1 billion yen  | 15.0 billion yen  |
| ROE                           | 6.0% or more             | 5.8%              | 3.7%              |

\* Our goal is to normalize the above target.

## Framework of Mid-Term Management Plan

**ACE-2020** enforces two kinds of reform, *Reform Profit Structure* and *Reform Corporate Culture*.

### (1) Reform Profit Structure

#### Focused Measures (1)-1: Portfolio Optimization

Under **ACE-2020**, we divide entire businesses into four sectors, “Growth/Emerging,” “Focus,” “Base” and “Improvement,” to gain maximum efficiency of management resources, and expand business, executing strategy for each area for growth, profitability, and business scale.

Focus Area: Life & Healthcare, Electronics

During this fiscal year, in the “Focus” area, Life & Healthcare, we established new operational bases in order to expand the cosmetics business in Europe. Also, we decided to invest in PeptiStar, Inc., a venture company with next-generation drug discovery technologies. In another “Focus” area, Electronics, we established Xenomax - Japan Co., Ltd. as a joint venture with TOYOBO CO., LTD. to produce and sell a heat-resistant polyimide film (in April 2018) in order to meet needs in the flexible display market, and invested in Kyulux, Inc., a venture company with next-generation organic electro luminescence technologies. Furthermore, Wuxi Chenghong Electronic Chemicals Co., LTD, which provides drug solutions in China, created a new corporation in Mianyang, Sichuan.

Within the “Growth/Emerging” area, we established Huizhou Sanli Three Synergy Precision Co. Ltd., as a joint venture with a Chinese company and ATECS corporation. so as to serve a new energy vehicle market in China, and bolstered the capital base of MINDA KYORAKU LTD., a joint venture with an Indian company, in order to expand its supply capacity in the automobile market in India. Meanwhile, we have been in the IBM Research Frontiers Institute established by IBM (International Business Machines Corporation) since the previous fiscal year, and we gather information on start-up companies through venture capitals as our ongoing efforts for business expansion that will drive growth in the future.

Concerning the “Base” area, we conducted sales expansion activities for high-performance resins as one of our sales efforts for plastics both in Japan and overseas, development activities for Pat!naLock<sup>TM</sup> reactive paint with corrosion resistance, and other business activities.

In the “Improvement” area, we thoroughly implemented profitability improvement measures through cost reduction and other efforts at some of our unprofitable manufacturing subsidiaries and withdrew from unprofitable/noncore businesses and sold shares in relevant affiliate companies to reallocate management resources.

#### Focused Measures (1)-2: Expand and Strengthen Revenue Base

Under **ACE-2020**, our trading and manufacturing business sector stands individual KPI and implements measures to improve each function. We create new business by leveraging entire functions.

Our trading business sector will further accelerate globalization through increased overseas sales, and the manufacturing business sector will pursue management stability (improvement in the break-even point) by supporting to raise future “Focus” business and cost-down.

During this fiscal year, the trading business sector acquired a specialty chemical distributor, Fitz Chem Corporation (present Fitz Chem LLC), to further improve the regional management framework, and implemented PMI (post-merger integration) processes under local leadership. In China, some of our local subsidiaries were consolidated to pursue efficient operations, while in Europe, our subsidiaries’ branches were newly established in Izmir, Turkey and Lyon, France.

The manufacturing business sector carried out fixed-cost reduction activities through improving procurement functions and reviewing utility-related expenses, re-examined its product mix to improve a marginal income ratio, and continued its improvement activities to bring down the break-even point. Meanwhile, INKRON LIMITED, in which the manufacturing business sector took an equity stake during the previous fiscal year, was turned into a subsidiary to reinforce activities for sharing electronics-related elemental technologies with a view to developing future businesses.



## (2) Reform Corporate Culture

### Focused Measures (2)-1: Build Stronger Mindset

Under **ACE-2020**, we promote three mindset concepts for creating a corporate culture in which the entire NAGASE Group is aligned toward the same goals as individuals showing initiative: Build Accountability, Responsibility and Risk Awareness, Share Management's Message, Thorough Monitoring and PDCA.

During this fiscal year, we reviewed our organizational hierarchy, delegated authority by simplifying the hierarchy, and re-examined structures of meetings at each hierarchy level, in order to encourage accountability and make decisions promptly. To share the management's messages, we set up an **ACE Site** on our portal site and used it as a place where the management's video messages are distributed and group employees send and share information. To ensure thorough implementation of monitoring and PDCA, we introduced a mechanism to check and analyze the progress and feasibility of measures taken toward achieving **ACE-2020**.

### Focused Measures (2)-2: Strengthen Management Platform

Under **ACE-2020**, we "Pursue Efficiency" to improve consolidated SG&A ratio by 0.5%. We also accelerate "HR Development" to increase group competition and sustainable development.

During this fiscal year, as "Pursue Efficiency" measures, we reviewed back office routine functions and organizations and established Nagase Business Expert Co., Ltd. as a shared service center to drive forward consolidation and standardization of operations. We introduced RPA (Robotic Process Automation) into some of our operations, while we supported projects through an M&A promotion project team that remained in place as a company-wide organization.

Regarding "HR Development," we completed preparations to bring new HR policies to effect in fiscal 2018 and put them into practice on April 1, 2018.

## (9) Changes in assets and profit/loss

(Unit: millions of yen)

|                                         | Fiscal 2014 | Fiscal 2015 | Fiscal 2016 | Fiscal 2017 |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Net sales                               | 759,713     | 742,194     | 722,384     | 783,933     |
| Ordinary income                         | 20,366      | 18,390      | 16,361      | 25,982      |
| Profit attributable to owners of parent | 11,318      | 12,316      | 10,331      | 17,175      |
| Profit per share (Unit: yen)            | 89.10       | 96.96       | 81.65       | 136.34      |
| Total asset                             | 546,525     | 512,081     | 530,775     | 571,445     |
| Net asset                               | 287,500     | 279,149     | 295,198     | 308,804     |

Note: Amounts indicated in units of one million yen are rounded down to the nearest one million yen.

## (10) Status of parent company and main subsidiaries (As of March 31, 2018)

## a) Status of parent company

No applicable information.

## b) Status of main subsidiaries

| Company name                         | Capital                    | Percentage of voting rights held | Main business                                                                                                                                                    |
|--------------------------------------|----------------------------|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Hayashibara Co., Ltd.                | 7,500 million yen          | 100.0%                           | Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, and functional dyes |
| Nagase ChemteX Corporation           | 2,474 million yen          | 100.0%                           | Manufacture of epoxy resins, enzymes, and chemical industry products                                                                                             |
| Totaku Industries, Inc.              | 270 million yen            | 100.0%                           | Manufacture and sale of plastic products, etc.                                                                                                                   |
| Shanghai Hua Chang Trading Co., Ltd. | (thousand)<br>RMB 19,864   | 70.0%<br>(53.8%)                 | Sale of plastics and related products                                                                                                                            |
| Nagase Plastics Co., Ltd.            | 310 million yen            | 100.0%                           | Sale of plastic products, etc.                                                                                                                                   |
| Nagase (Thailand) Co., Ltd.          | (thousand)<br>BAHT 321,000 | 100.0%                           | Import/export, intermediate trade, market development, information collection                                                                                    |
| Shanghai Nagase Trading Co., Ltd.    | (thousand)<br>RMB 8,120    | 100.0%                           | Import/export, intermediate trade, market development, information collection                                                                                    |
| Nagase (Hong Kong) Ltd.              | (thousand)<br>HK\$ 3,120   | 100.0%                           | Import/export, intermediate trade, market development, information collection                                                                                    |
| Nagase America Corporation           | (thousand)<br>US\$ 3,500   | 100.0%                           | Import/export, intermediate trade, market development, information collection                                                                                    |
| Nagase Chemical Co., Ltd.            | 60 million yen             | 100.0%                           | Sale of coating raw materials, dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics, etc.                                                |

Notes:

- Figures in parentheses under percentage of voting rights held indicate indirect ownership (included in total equity holdings).
- As of the end of the fiscal year, there were no specified wholly owned subsidiaries.

(11) Main business activities (As of March 31, 2018)

The Nagase Group conducts import and export of a diverse range of products, conducts domestic transactions, and manufactures, sells, and services products.

| Business segment                | Products handled or services provided                                                                                                                                                                                                                                          |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Functional Materials            | Paints and inks raw materials, urethane materials and auxiliaries, plastics materials, plastic additives, industrial oil materials, surfactant raw materials, fluorochemicals, adhesive materials, silicone materials, and others                                              |
| Advanced Materials & Processing | Dyestuff, pigments, functional dyes, information printing-related products, thermoplastic resins, thermosetting resins, auto body repair paint, conductive paints, synthetic rubber, inorganic materials, plastic materials, plastic moldings and molds, and others            |
| Electronics                     | LCD and semiconductor processing materials and equipment, display panel components and materials, semiconductor assembly materials and equipment, low-temperature vacuum equipment, high-performance epoxy resins, electronic precision abrasives, and others                  |
| Automotive & Energy             | Plastics products, thermoplastic resins, thermosetting resins, silicone products, plastic moldings and molds, high-function materials and components for car electronics, battery materials, solar cells and rechargeable battery-related components and materials, and others |
| Life & Healthcare               | Pharmaceutical and agricultural raw materials, research reagents, in-vitro diagnostics, enzymes, food additives, cosmetics additives, feed, surfactants, radiation measuring services, cosmetics, health foods, beauty foods, and others                                       |
| Other                           | Logistics services, information processing services, vocational services, and others                                                                                                                                                                                           |

(12) Main offices and plants (As of March 31, 2018)

|                    |                              |                                                                                                                                                                                                                                                                                                                                                                     |                                                                          |
|--------------------|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| NAGASE & CO., LTD. | Domestic sales branch        | Head office                                                                                                                                                                                                                                                                                                                                                         | Osaka Head Office (Osaka, Osaka)                                         |
|                    |                              | Branch                                                                                                                                                                                                                                                                                                                                                              | Tokyo Head Office (Chuo-ku, Tokyo), Nagoya Branch Office (Nagoya, Aichi) |
|                    |                              | Sales branch                                                                                                                                                                                                                                                                                                                                                        | Sakai Sales Office (Sakai, Osaka)                                        |
|                    | Domestic R&D center          | Nagase R&D Center (Kobe, Hyogo), Nagase Application Workshop (Amagasaki, Hyogo)                                                                                                                                                                                                                                                                                     |                                                                          |
| Subsidiaries       | Domestic sales branch        | Nagase Plastics Co., Ltd. (Osaka, Osaka), Nagase Chemical Co., Ltd. (Chuo-ku, Tokyo), and others                                                                                                                                                                                                                                                                    |                                                                          |
|                    | Domestic manufacturing plant | Hayashibara Co., Ltd.: Okayama Plant I, Plant II, Okayama Functional Saccharide Plant, Fujita Plant and Fujita Formulation Plant (Okayama, Okayama)<br>Nagase ChemteX Corporation: Harima Plant, (Tatsuno, Hyogo), Fukuchiyama Plant (Fukuchiyama, Kyoto), Sakai Factory (Sakai, Osaka)<br>Totaku Industries, Inc.: Kansai Rinku Factory (Sennan, Osaka) and others |                                                                          |
|                    | Domestic R&D center          | Hayashibara Co., Ltd. R&D Center (Okayama, Okayama), Nagase ChemteX Corporation Harima Plant (Tatsuno, Hyogo) and Fukuchiyama Plant (Fukuchiyama, Kyoto), and others                                                                                                                                                                                                |                                                                          |
|                    | Overseas sales branch        | Shanghai Hua Chang Trading Co., Ltd., Nagase (Thailand) Co., Ltd. Shanghai Nagase Trading Co., Ltd., Nagase (Hong Kong) Ltd., Nagase America Corporation, and others                                                                                                                                                                                                |                                                                          |

(13) Status of employees (As of March 31, 2018)

a) Status of the corporate group employees

| Business Segment                | Number of employees |
|---------------------------------|---------------------|
| Functional Materials            | 627                 |
| Advanced Materials & Processing | 1,551               |
| Electronics                     | 1,615               |
| Automotive & Energy             | 339                 |
| Life & Healthcare               | 1,097               |
| Other                           | 290                 |
| Company-wide (common)           | 793                 |
| Total                           | 6,312               |

Notes:

1. The number of employees indicates the number of persons employed.
2. The number of employees indicated as “Company-wide (common)” refers to employees who are assigned to management divisions that cannot be categorized in a particular business segment.

b) Status of the Company’s employees

| Number of employees | Change from the end of the previous fiscal year | Average age | Average length of service |
|---------------------|-------------------------------------------------|-------------|---------------------------|
| 861                 | -83                                             | 41.3        | 15.1 years                |

Notes:

1. The number of employees indicates the number of persons employed.
2. The number of employees decreased by 83 from the end of the previous fiscal year. The main reason is that the number of employees seconded to consolidated subsidiaries (Segment “Others”) increased in order to improve the Group’s management efficiency.

(14) Main lenders and loan amounts (As of March 31, 2018)

| Lenders                                | Loan amounts       |
|----------------------------------------|--------------------|
| Sumitomo Mitsui Banking Corporation    | 17,085 million yen |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 12,334 million yen |
| Mizuho Bank, Ltd.                      | 6,704 million yen  |

Notes:

1. Amounts of less than one million yen are rounded down to the nearest one million yen.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed the trade name to MUFG Bank, Ltd. on April 1, 2018.

(15) Other significant matters relating to the current state of the corporate group

No applicable information.

**2. Matters relating to the Company's shares** (As of March 31, 2018)

|                                       |             |
|---------------------------------------|-------------|
| (1) Total number of shares authorized | 346,980,000 |
| (2) Total number of shares issued     | 127,408,285 |
| (3) Number of shareholders            | 11,357      |

## (4) Principal shareholders (top 10)

| Principal shareholders                                                                                 | Number of shares held<br>(thousand shares) | Holdings percentage<br>(%) |
|--------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                                   | 6,936                                      | 5.54                       |
| Sumitomo Mitsui Trust Bank, Limited                                                                    | 5,776                                      | 4.61                       |
| NORTHERN TRUST CO. (AVFC) RE SILCHESTER<br>INTERNATIONAL INVESTORS INTERNATIONAL VALUE<br>EQUITY TRUST | 5,772                                      | 4.61                       |
| Japan Trustee Services Bank, Ltd. (Trust Account)                                                      | 4,932                                      | 3.94                       |
| Sumitomo Mitsui Banking Corporation                                                                    | 4,377                                      | 3.50                       |
| Nippon Life Insurance Company                                                                          | 3,589                                      | 2.87                       |
| Reiko Nagase                                                                                           | 3,549                                      | 2.83                       |
| NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED<br>PENSION FUNDS                                        | 3,264                                      | 2.61                       |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)                                                    | 2,970                                      | 2.37                       |
| Nagase Shunzo Co., Ltd.                                                                                | 2,688                                      | 2.15                       |

## Notes:

1. The Company holds 2,195,966 shares of treasury stock, and holdings percentages are calculated with this quantity excluded.
2. Quantities of less than 1,000 shares are rounded down.

## (5) Other significant matters relating to shares

No applicable information.

**3. Matters relating to share options for the Company's stock**

(1) Status of share options held by the Company officers as of the end of the fiscal year

No applicable information.

(2) Status of share options granted to employees and others during the fiscal year

No applicable information.

(3) Other significant matters relating to share options

No applicable information.

#### 4. Matters relating to officers

##### (1) Status of the Company officers (As of March 31, 2018)

| Position                                   | Name               | Areas of responsibility or profession                                                                                                   | Significant concurrent positions outside the Company                                                                                               |
|--------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director and Chairman       | Hiroshi Nagase     |                                                                                                                                         |                                                                                                                                                    |
| Director and Vice Chairman                 | Reiji Nagase       |                                                                                                                                         | Representative Director of Nagase Science Technology Foundation<br>Representative Director of Hayashibara Museum of Art                            |
| Representative Director and President      | Kenji Asakura      |                                                                                                                                         |                                                                                                                                                    |
| Representative Director                    | Mitsuro Naba       | In charge of Corporate Administration and Osaka region                                                                                  |                                                                                                                                                    |
| Director                                   | Osamu Morishita    | In charge of Hayashibara Co., Ltd., Nagase R&D Center and Manufacturing                                                                 |                                                                                                                                                    |
| Director                                   | Kohei Sato         | In charge of Overseas Operation                                                                                                         |                                                                                                                                                    |
| Director                                   | Ichiro Wakabayashi | In charge of Sales & Marketing                                                                                                          |                                                                                                                                                    |
| Director                                   | Takanori Yamauchi  | General Manager of Human Resources & General Affairs Div.,<br>General Manager of BPR & Administration Div., in charge of Administration |                                                                                                                                                    |
| Director                                   | Hidenori Nishi     |                                                                                                                                         | Chairman of Japan Canners Association                                                                                                              |
| Director                                   | Nobumasa Kemori    |                                                                                                                                         |                                                                                                                                                    |
| Full-time Audit & Supervisory Board Member | Kenichi Matsuki    |                                                                                                                                         |                                                                                                                                                    |
| Full-time Audit & Supervisory Board Member | Nobuyuki Shirafuji |                                                                                                                                         |                                                                                                                                                    |
| Full-time Audit & Supervisory Board Member | Masanori Furukawa  |                                                                                                                                         |                                                                                                                                                    |
| Audit & Supervisory Board Member           | Toshio Takano      | Attorney                                                                                                                                | Outside Corporate Auditor of Kakaku.com, Inc.<br>Outside Corporate Auditor of Daicel Corporation<br>Outside Corporate Auditor of FANCL CORPORATION |

Notes:

1. Directors Hidenori Nishi and Nobumasa Kemori are outside Directors and are independent officers pursuant to the regulations of financial instruments exchanges.
2. Director Hidenori Nishi resigned as Outside Director of Dynapac Co., Ltd. as of March 23, 2018, and resigned as Chairman of the Board of KAGOME CO., LTD. as of March 28, 2018.
3. Director Nobumasa Kemori resigned as Director and Chairman of Sumitomo Metal Mining Co., Ltd. as of June 27, 2017 and appointed as Executive Adviser of Sumitomo Metal Mining Co., Ltd.
4. Full-time Audit & Supervisory Board Member Nobuyuki Shirafuji and Audit & Supervisory Board Member Toshio Takano are External Audit & Supervisory Board Members and are independent officers pursuant to the regulations of financial instruments exchanges.
5. Full-time Audit & Supervisory Board Member Nobuyuki Shirafuji has many years of experience in financial institutions and possesses considerable knowledge regarding finance and accounting.
6. Audit & Supervisory Board Member Toshio Takano has many years of experience in the legal field as an attorney and possesses considerable knowledge regarding compliance and governance.
7. Pursuant to the Articles of Incorporation, the Company has entered into agreements with outside Directors Hidenori Nishi and Nobumasa Kemori and External Audit & Supervisory Board Members Nobuyuki Shirafuji and Toshio Takano, limiting liability to the Company for damage specified in Article 423, paragraph 1 of the Companies Act. The maximum amount of liability pursuant to those agreements is the minimum amount of liability specified in Article 425, paragraph 1 of the Companies Act.
8. The Company has adopted an executive officer system, and with the exception of Directors Hiroshi Nagase and Reiji Nagase and outside Directors Hidenori Nishi and Nobumasa Kemori, all Directors are also executive officers.
9. Changes in Directors and Audit & Supervisory Board Members during the fiscal year
  - (1) Appointments  
Takanori Yamauchi was newly elected and appointed as Director and Masanori Furukawa was newly elected and appointed as Audit & Supervisory Board Member at the 102nd Annual Shareholders' Meeting held on June 28, 2017.
  - (2) Resignations  
Audit & Supervisory Board Member Masahiko Hamaguchi resigned effective as of the conclusion of the 102nd Annual Shareholders' Meeting held on June 28, 2017.
  - (3) Changes in status or areas of responsibility of Directors during the fiscal year  
The areas of responsibility of Directors as of April 1, 2017 were as set forth below.

| Position                | Name               | New                                                    | Old                                                                                                                                                            |
|-------------------------|--------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director | Mitsuro Naba       | In charge of Corporate Administration and Osaka region | In charge of Administration and Osaka region                                                                                                                   |
| Director                | Ichiro Wakabayashi | In charge of Sales & Marketing                         | In charge of Sales & Marketing, General Executive of Advanced Materials & Processing Segment and Electronics Segment, in charge of Nagase Application Workshop |



<Reference>

1. The areas of responsibility of Directors as of April 1, 2018 were as set forth below.

| Position                | Name               | New                                                                                                                                                                                  | Old                                                                                                                                  |
|-------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Representative Director | Mitsuro Naba       | In charge of Corporate Administration                                                                                                                                                | In charge of Corporate Administration and Osaka region                                                                               |
| Director                | Osamu Morishita    | In charge of Manufacturing, Osaka region, Energy Business Office and special missions                                                                                                | In charge of Hayashibara Co., Ltd., Nagase R&D Center and Manufacturing                                                              |
| Director                | Ichiro Wakabayashi | In charge of Corporate Sales & Marketing                                                                                                                                             | In charge of Sales & Marketing                                                                                                       |
| Director                | Takanori Yamauchi  | General Manager of Human Resources & General Affairs Div., General Manager of BPR & Administration Div., and General Manager of Legal Div., in charge of Information Technology Div. | General Manager of Human Resources & General Affairs Div., General Manager of BPR & Administration Div., in charge of Administration |

2. Status of Executive Officers (except for Executive Officers who are also Directors)

Executive Officers were elected on April 1, 2018, and their areas of responsibility were as set forth below.

| Status                     | Name             | Areas of responsibility                                                                            |
|----------------------------|------------------|----------------------------------------------------------------------------------------------------|
| Managing Executive Officer | Akihiko Isono    | In charge of Nagase ChemteX Corporation                                                            |
| Managing Executive Officer | Naoki Yasuba     | In charge of Hayashibara Co., Ltd. and Nagase R&D Center                                           |
| Executive Officer          | Mitsuru Kanno    | Nagase (Europa) GmbH CEO                                                                           |
| Executive Officer          | Masatoshi Kamada | Greater China CEO                                                                                  |
| Executive Officer          | Masaya Ikemoto   | General Manager of Corporate Planning Div., in charge of affiliates and New Value Creation Office  |
| Executive Officer          | Yasuhiro Mihara  | General Manager of Specialty Chemicals Dept.                                                       |
| Executive Officer          | Takahiro Okumura | General Manager of Electronic Chemicals Dept.                                                      |
| Executive Officer          | Kusuo Ota        | General Manager of Colors & Advanced Processing Dept. and in charge of Nagase Application Workshop |
| Executive Officer          | Hiroyuki Ueshima | General Manager of Automotive Solutions Dept. and Manager of Nagoya Branch Office                  |
| Executive Officer          | Koichi Sagawa    | General Manager of Polymer Global Account Dept.                                                    |
| Executive Officer          | Akira Takami     | General Manager of Finance Div. and General Manager of Accounting Div.                             |
| Executive Officer          | Takayuki Masuda  | ASEAN and India CEO                                                                                |

(2) Total compensation paid to Directors and Audit & Supervisory Board Members

| Status                           | Number | Amount          | Compensation limit decided by the resolutions of Annual Shareholders' Meeting |
|----------------------------------|--------|-----------------|-------------------------------------------------------------------------------|
| Director                         | 10     | 411 million yen | 450 million yen annually (Resolution of Meeting on June 24, 2015)             |
| Audit & Supervisory Board Member | 5      | 74 million yen  | 80 million yen annually (Resolution of Meeting on June 28, 2006)              |
| Total                            | 15     | 485 million yen |                                                                               |

Notes:

1. Included in the above is 50 million yen in total compensation paid to the four outside Directors.
2. The total amount paid to Directors indicated above includes 159 million yen which is reported as an expense of accrued bonuses for directors and executive officers during the fiscal year.
3. In addition to the above, 39 million yen in employee salaries was paid to Directors who also serve as employees.
4. The amount of compensation indicated above includes compensation paid to one Audit & Supervisory Board Member who resigned effective as of the conclusion of the 102nd Annual Shareholders' Meeting held in June 28, 2017.
5. Policy on determination of officer compensation amounts  
Compensation paid to officers other than outside Directors and External Audit & Supervisory Board Members comprises base compensation and performance-linked compensation (bonuses) and is calculated in accordance with the Officer Compensation Rules and determined by resolution of the Board of Directors. With regard to performance-linked compensation (bonuses), a base payment amount is determined based on performance during the relevant period and reflects individual assessment performed in accordance with a target management system.  
In addition, the Compensation Committee investigates the suitability of compensation levels and systems and reports to and submits information to the Board of Directors to enhance the objectivity and transparency of the officer compensation determination process.

(3) Matters relating to outside officers

a) Significant concurrent positions and relationship with the Company

| Status                                    | Name            | Significant concurrent positions outside the Company     | Special relationship with the Company                                                                                                                                                                                                                                  |
|-------------------------------------------|-----------------|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outside Director                          | Hidenori Nishi  | Chairman of the Board of KAGOME CO., LTD.                | The Company has no special relationship with KAGOME CO., LTD.<br>Resigned as Chairman of the Board of KAGOME CO., LTD. as of March 28, 2018.                                                                                                                           |
|                                           |                 | Outside Director of Dynapac Co., Ltd.                    | The Company has no special relationship with Dynapac Co., Ltd.<br>Resigned as Outside Director of Dynapac Co., Ltd. as of March 23, 2018.                                                                                                                              |
|                                           |                 | Chairman of Japan Canners Association                    | No special relationship                                                                                                                                                                                                                                                |
| Outside Director                          | Nobumasa Kemori | Director and Chairman of Sumitomo Metal Mining Co., Ltd. | The Company sells products to and engages in other transactions with Sumitomo Metal Mining Co., Ltd.<br>Resigned as Director and Chairman of Sumitomo Metal Mining Co., Ltd. as of June 27, 2017 and appointed as Executive Adviser of Sumitomo Metal Mining Co., Ltd. |
| External Audit & Supervisory Board Member | Toshio Takano   | Outside Corporate Auditor of Kakaku.com, Inc.            | No special relationship                                                                                                                                                                                                                                                |
|                                           |                 | Outside Corporate Auditor of Daicel Corporation          | The Company sells products to and engages in other transactions with Daicel Corporation.                                                                                                                                                                               |
|                                           |                 | Outside Corporate Auditor of FANCL CORPORATION           | No special relationship                                                                                                                                                                                                                                                |

b) Relatives of managing members or officers (who are not managing members) of the Company or trading partners that have special-interest businesses

No applicable information.

c) Main business activities during the fiscal year

| Status                                    | Name               | Main business activities                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outside Director                          | Hidenori Nishi     | Attended 16 of 16 Board of Directors meetings held during the fiscal year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a perspective of familiarity with industry.                                                                                                                                                              |
|                                           | Nobumasa Kemori    | Attended 16 of 16 Board of Directors meetings held during the fiscal year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a perspective of familiarity with industry.                                                                                                                                                              |
| External Audit & Supervisory Board Member | Nobuyuki Shirafuji | Attended 16 of 16 Board of Directors meetings held during the fiscal year (attendance rate: 100%) and all 16 meetings of the Audit & Supervisory Board held during the fiscal year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate based on broad insight by making use of many years of overseas experience in financial institutions. |
|                                           | Toshio Takano      | Attended 16 of 16 Board of Directors meetings held during the fiscal year (attendance rate: 100%) and all 16 meetings of the Audit & Supervisory Board held during the fiscal year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a professional perspective as an attorney.                                                      |

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

## 5. Independent Auditor

### (1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

### (2) Summary of Limiting liability agreement

The Company has not entered into a liability limiting agreement specified in Article 423, paragraph 1 of the Companies Act with its Independent Auditor.

### (3) Amount of compensation paid to Independent Auditor during the fiscal year

|                                                                                                                                                                             | Amount of compensation<br>(millions of yen) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business specified in Article 2, paragraph 1 of the Certified Public Accountants Act | 88                                          |
| Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business other than that specified above                                             | 0                                           |
| Total compensation, etc. paid by the Company and its consolidated subsidiaries to Independent Auditor                                                                       | 131                                         |

Notes:

1. The audit agreement between the Company and the Independent Auditor does not distinguish between audit compensation for audits performed pursuant to the Companies Act and audits performed pursuant to the Financial Instruments and Exchange Act and compensation cannot practically be categorized in this manner, and accordingly, the total amount is reported as compensation, etc. paid to the Independent Auditor during the fiscal year.
2. The Audit & Supervisory Board receives materials necessary for investigating the amount of the Independent Auditor's compensation from relevant internal divisions, Directors, Independent Auditor, and so on, receives explanations from the Independent Auditor of a summary of the audit plan for the relevant fiscal year, audit times for each audit item, and so on, and based on the results of its confirmation of the audit plans for prior years and implementation of those plans determined that the compensation, etc. paid to the Independent Auditor is appropriate and gave its consent pursuant to Article 399, paragraph 1 of the Companies Act.

### (4) Details of duties other than audits

Non-audit services include agreed procedural work associated with tax filing in foreign countries.

### (5) Status of audits of financial statements of the Company's main subsidiaries by Certified Public Accountants or Audit Firms other than the Company's Independent Auditor

Of the Company's main subsidiaries, three overseas subsidiaries including Nagase (Hong Kong) Ltd. and Nagase (Thailand) Co., Ltd. were audited by certified public accountants or an audit firm (including persons with corresponding qualifications in a foreign country) other than the Company's Independent Auditor.

### (6) Policy on determination to dismiss or not to reappoint Independent Auditor

In addition to dismissal of the Independent Auditor by the Audit & Supervisory Board as specified in Article 340 of the Companies Act, if the Company determines that it would be difficult for the Independent Auditor to properly perform its duties because of a violation of laws and regulations by the Independent Auditor, the occurrence of events that impair the Independent Auditor's qualifications or independence, and so on or if the Company determines that changing the Independent Auditor would be suitable for enhancing the appropriateness of audits, the Company's policy is to propose at the Shareholders Meeting to dismiss or not to reappoint the Independent Auditor.

## 6. Company systems and policies

- (1) Systems for ensuring the proper implementation of business and status of operation of those systems

### Summary of resolution on systems for ensuring the proper implementation of business (internal control systems)

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

By resolution of the Board of Directors meeting held on April 19, 2018, the basic policy was partially revised, and the following is the revised basic policy. A major revision item is as follows:

Under "e) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries," we have added a statement to the effect that the Audit Office conducts audits of the Company and its Group companies in accordance with the Internal Audit Rules.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- i. Improper implementation, violations of laws and regulations or the Articles of Incorporation, or other compliance-related issues regarding the performance of duties by Directors;
- ii. Facts that pose a risk of substantial harm to the Company;
- iii. Disclosure of material information; and

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

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

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

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



## Overview of the Status of Implementation of Systems for Ensuring Proper Implementation of Business

An overview of the status of implementation of systems for ensuring the proper implementation of business is set forth below.

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

The Company adopted Basic Compliance Policy setting forth a code of conduct with which all officers and employees must comply, conducts all business activities in accordance with the Nagase Group Compliance Code of Conduct, and complies with laws and regulations and the Articles of Incorporation.

In addition, the Company has introduced an internal reporting system wherein officers and employees including those of Group companies can report and consult directly, and appropriately operates it.

Courses and other programs contributing to legal compliance are conducted as necessary for officers and employees including those of Group companies.

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

Board of Directors meeting minutes, Shareholders Meeting minutes, requests for decisions, and other documents are retained and managed by the respective responsible divisions. Directors and Audit & Supervisory Board members can access and view these documents at any time.

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

With regard to organizations that perform comprehensive management of loss-related risks, the Risk Management & Compliance Committee was established and in principle meets twice annually. The Risk Management & Compliance Committee was established to create and maintain compliance systems in accordance with the management philosophy of “recognizing that the Company is a member of society and acting in good faith,” and a system has been established to determine the committee’s functions and authority, and create a system that clarifies its roles and responsibilities. Under this system, each responsible division responds to individual risks relating to the business activities of the Company and Group companies. When new risks arise, the responsible division is promptly designated, and when an incident occurs within the Group, information is promptly and appropriately conveyed and emergency procedures are implemented as necessary.

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

The Board of Directors is positioned as the decision-making body regarding management policies and strategies and it supervises the execution of operations. The Board of Directors holds regular monthly meetings and meets a total of 16 times annually (not including resolutions made in writing). With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties and their responsibilities, and business is efficiently executed in accordance with those rules.

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

The Company clarifies decision-making authority and responsibilities by establishing operational standards, has a system that requires approval from or reporting to the Company after Group companies make decisions on certain matters, and in principle, dispatches Directors and Audit & Supervisory Board members to Group companies. The Audit Office, the internal audit department, conducts audit on the Company and Group companies in accordance with the Internal Audit Rules. Under the mid-term management plan and a system of annual budgets, clear targets are set and budget and result management is performed for the Company and each Group company. Furthermore, the status of company-wide internal controls as well as the process for preparing financial statements has been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.

The Group-wide risks are managed by the respective responsible division using risk management tables, and important matters relating to Group-wide compliance are discussed and decisions are made based on

deliberations and determinations regarding issues relating to implementation and countermeasures addressing those issues by the Risk Management & Compliance Committee.

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

In order to ensure the effectiveness of audits performed by Audit & Supervisory Board members, the Company has appointed two employees to from Audit Office, the internal audit department.

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

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

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

By creating a system that enables Audit & Supervisory Board members to review requests for decision, reports, and so on while attending meetings of the Board of Directors and other important meetings, and conducting discussions with managers, systems have been established to enable them to understand the overall status of operations of the Company and Group companies. Furthermore, the Directors, employees, and so on of the Company and Group companies can report to Audit & Supervisory Board and its members regarding the matters specified above in h) (i) to (iv), basic policy for creating internal control systems, individually or through the Risk Management & Compliance Committee or the Board of Directors as necessary. Detrimental treatment of persons who make reports is prohibited. This information is distributed throughout the Group and is clearly stated within the Compliance Call Center Rules that have been established.

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

Audit & Supervisory Board members regularly have meetings and exchange opinions with the Representative Directors, outside Directors, Independent Auditor, employees from the Audit Office, and Audit & Supervisory Board members of affiliated companies, and when appropriate exchange opinions, etc. with other Directors and members of management teams.

Concerning expenses for conducting audits, in principle, the Audit & Supervisory Board creates budgets in accordance with annual audit plans. The Company may be requested to pay expenses for audits if they are required for seeking advice from attorneys, certified public accountants, and other outside professionals or for outsourcing investigations, appraisals, or other administrative tasks unless the Company deems that they are not necessary for the performance of duties by the Audit & Supervisory Board or its members.

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

a) Details of basic policy

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

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

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

b) Structures that contribute to carrying out the basic policy

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

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

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

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

A response policy concerning large-scale purchase conduct regarding the Company's shares (takeover defense measures) (referred to as the "Plan") was renewed pursuant to a resolution of the Board of Directors

adopted at a meeting held on May 23, 2016 and a resolution of the 101st Annual Shareholders' Meeting held on June 29, 2016, as a means of preventing control of the Company's financial and business policies by a person who is inappropriate in light of the basic policy discussed above. The effective term of the Plan is until the conclusion of the Company's Annual Shareholders' Meeting to be held in 2019.

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

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

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

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

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

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

(3) Policy on decisions concerning distribution of surplus

The Company's basic policy is to continue paying stable a dividend to its shareholders in line with its consolidated results as it improves its earning power and management structure. The Company looks to improve per-share dividends based on consideration of consolidated payout ratio and consolidated dividend to equity ratio. The Company also plans to use funds from internal reserves effectively in its business expansion and to build a stronger management foundation.

## Consolidated Financial Statements

Consolidated Balance Sheet (As of March 31, 2018)

(Amounts of less than one million yen are rounded down.)

| ASSETS                               | Amount            |
|--------------------------------------|-------------------|
|                                      | (Millions of yen) |
| <b>Current assets</b>                | <b>356,109</b>    |
| Cash and time deposits               | 43,303            |
| Notes and accounts receivable        | 225,999           |
| Merchandise and finished goods       | 67,681            |
| Work in process                      | 1,883             |
| Raw materials and supplies           | 4,106             |
| Deferred tax assets                  | 2,783             |
| Other current assets                 | 10,953            |
| Less allowance for doubtful accounts | (602)             |
| <b>Non-current assets</b>            | <b>215,335</b>    |
| Property, plant and equipment        | 67,225            |
| Buildings and structures             | 25,454            |
| Machinery, equipment and vehicles    | 15,755            |
| Land                                 | 21,154            |
| Other                                | 4,861             |
| Intangible fixed assets              | 41,090            |
| Goodwill                             | 25,478            |
| Technology-based assets              | 12,215            |
| Other intangible fixed assets        | 3,396             |
| Investments and other assets         | 107,019           |
| Investments in securities            | 100,403           |
| Long-term loans receivable           | 109               |
| Deferred tax assets                  | 1,614             |
| Other investments and other assets   | 4,992             |
| Less allowance for doubtful accounts | (101)             |
| <b>Total assets</b>                  | <b>571,445</b>    |

| LIABILITIES AND NET ASSETS                           | Amount            |
|------------------------------------------------------|-------------------|
| LIABILITIES                                          | (Millions of yen) |
| <b>Current liabilities</b>                           | <b>193,040</b>    |
| Notes and accounts payable                           | 118,028           |
| Short-term loans                                     | 31,934            |
| Current portion of long-term loans                   | 11,067            |
| Commercial paper                                     | 5,000             |
| Accrued income taxes                                 | 1,738             |
| Deferred tax liabilities                             | 44                |
| Accrued bonuses for employees                        | 5,451             |
| Accrued bonuses for directors and executive officers | 274               |
| Other current liabilities                            | 19,500            |
| <b>Long-term liabilities</b>                         | <b>69,600</b>     |
| Bonds                                                | 20,000            |
| Long-term loans                                      | 17,906            |
| Deferred tax liabilities                             | 16,365            |
| Liability for retirement benefits                    | 14,518            |
| Other long-term liabilities                          | 809               |
| <b>Total liabilities</b>                             | <b>262,640</b>    |
| NET ASSETS                                           |                   |
| <b>Shareholders' equity</b>                          | <b>250,278</b>    |
| Common stock                                         | 9,699             |
| Capital surplus                                      | 11,158            |
| Retained earnings                                    | 232,534           |
| Treasury stock, at cost                              | (3,114)           |
| <b>Accumulated other comprehensive income (loss)</b> | <b>53,358</b>     |
| Net unrealized holding gain on securities            | 50,773            |
| Deferred loss on hedges                              | (15)              |
| Translation adjustments                              | 2,917             |
| Retirement benefit liability adjustments             | (317)             |
| <b>Non-controlling interests</b>                     | <b>5,168</b>      |
| <b>Total net assets</b>                              | <b>308,804</b>    |
| <b>Liabilities and net assets</b>                    | <b>571,445</b>    |

## Consolidated Statement of Income (April 1, 2017 – March 31, 2018)

(Amounts of less than one million yen are rounded down.)

|                                                    |                   | Amount |                   |
|----------------------------------------------------|-------------------|--------|-------------------|
|                                                    | (Millions of yen) |        | (Millions of yen) |
| Net sales                                          |                   |        | 783,933           |
| Cost of sales                                      |                   |        | 681,258           |
| <b>Gross profit</b>                                |                   |        | <b>102,675</b>    |
| Selling, general and administrative expenses       |                   |        | 78,557            |
| <b>Operating income</b>                            |                   |        | <b>24,118</b>     |
| Non-operating income                               |                   |        |                   |
| Interest income                                    | 185               |        |                   |
| Dividend income                                    | 1,605             |        |                   |
| Rent income                                        | 268               |        |                   |
| Equity in earnings of affiliates                   | 921               |        |                   |
| Foreign exchange gains                             | 169               |        |                   |
| Other non-operating income                         | 385               |        | 3,536             |
| Non-operating expenses                             |                   |        |                   |
| Interest expense                                   | 1,294             |        |                   |
| Other non-operating expenses                       | 378               |        | 1,672             |
| <b>Ordinary income</b>                             |                   |        | <b>25,982</b>     |
| Extraordinary gains                                |                   |        |                   |
| Gain on sales of property, plant and equipment     | 50                |        |                   |
| Gain on sales of investments in securities         | 8                 |        |                   |
| Gain on sales of shares of a subsidiary            | 84                |        |                   |
| Subsidy income                                     | 288               |        |                   |
| Gain on bargain purchase                           | 229               |        | 661               |
| Extraordinary losses                               |                   |        |                   |
| Loss on sales of property, plant and equipment     | 419               |        |                   |
| Loss on disposal of property, plant and equipment  | 168               |        |                   |
| Loss on reduction of property, plant and equipment | 212               |        |                   |
| Loss on impairment of non-current assets           | 847               |        |                   |
| Loss on devaluation of investments in securities   | 12                |        |                   |
| Loss on sales of shares of a subsidiary            | 0                 |        |                   |
| Loss on discontinued operation                     | 462               |        |                   |
| Loss on step acquisitions                          | 294               |        |                   |
| Other extraordinary losses                         | 175               |        | 2,594             |
| <b>Profit before income taxes</b>                  |                   |        | <b>24,049</b>     |
| Income taxes - current                             | 5,358             |        |                   |
| Income taxes - deferred                            | 1,098             |        | 6,457             |
| <b>Profit</b>                                      |                   |        | <b>17,592</b>     |
| Profit attributable to non-controlling interests   |                   |        | 417               |
| <b>Profit attributable to owners of parent</b>     |                   |        | <b>17,175</b>     |

Consolidated Statement of Changes in Net Assets (April 1, 2017 – March 31, 2018)

(Amounts of less than one million yen are rounded down.)

(Millions of yen)

|                                                                                           | Shareholders' equity |                 |                   |                         |                            |
|-------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|-------------------------|----------------------------|
|                                                                                           | Common stock         | Capital surplus | Retained earnings | Treasury stock, at cost | Total shareholders' equity |
| Balance at April 1, 2017                                                                  | 9,699                | 11,590          | 219,721           | (1,337)                 | 239,674                    |
| Changes                                                                                   |                      |                 |                   |                         |                            |
| Cash dividends                                                                            |                      |                 | (4,287)           |                         | (4,287)                    |
| Profit attributable to owners of parent                                                   |                      |                 | 17,175            |                         | 17,175                     |
| Purchases of treasury stock                                                               |                      |                 |                   | (1,776)                 | (1,776)                    |
| Disposition of treasury stock                                                             |                      | 0               |                   | 0                       | 0                          |
| Changes in parent's ownership interest due to transactions with non-controlling interests |                      | (431)           |                   |                         | (431)                      |
| Change of scope of consolidation                                                          |                      |                 | (67)              |                         | (67)                       |
| Changes resulting from merger with an unconsolidated subsidiary                           |                      |                 | (6)               |                         | (6)                        |
| Decrease in retained earnings resulting from changes in scope of equity method            |                      |                 | (1)               |                         | (1)                        |
| Other changes                                                                             |                      |                 |                   |                         |                            |
| Total changes                                                                             | -                    | (431)           | 12,812            | (1,776)                 | 10,603                     |
| Balance at March 31, 2018                                                                 | 9,699                | 11,158          | 232,534           | (3,114)                 | 250,278                    |



(Millions of yen)

|                                                                                           | Accumulated other comprehensive income (loss) |                                |                         |                                          |                                              | Non-controlling interests | Total net assets |
|-------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------|-------------------------|------------------------------------------|----------------------------------------------|---------------------------|------------------|
|                                                                                           | Net unrealized holding gain on securities     | Deferred gain (loss) on hedges | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income |                           |                  |
| Balance at April 1, 2017                                                                  | 47,683                                        | 4                              | 3,129                   | (274)                                    | 50,542                                       | 4,981                     | 295,198          |
| Changes                                                                                   |                                               |                                |                         |                                          |                                              |                           |                  |
| Cash dividends                                                                            |                                               |                                |                         |                                          |                                              |                           | (4,287)          |
| Profit attributable to owners of parent                                                   |                                               |                                |                         |                                          |                                              |                           | 17,175           |
| Purchases of treasury stock                                                               |                                               |                                |                         |                                          |                                              |                           | (1,776)          |
| Disposition of treasury stock                                                             |                                               |                                |                         |                                          |                                              |                           | 0                |
| Changes in parent's ownership interest due to transactions with non-controlling interests |                                               |                                |                         |                                          |                                              |                           | (431)            |
| Change in scope of consolidation                                                          |                                               |                                |                         |                                          |                                              |                           | (67)             |
| Change resulting from merger with an unconsolidated subsidiary                            |                                               |                                |                         |                                          |                                              |                           | (6)              |
| Decrease in retained earnings resulting from change in scope of equity method             |                                               |                                |                         |                                          |                                              |                           | (1)              |
| Other changes                                                                             | 3,090                                         | (19)                           | (212)                   | (42)                                     | 2,815                                        | 187                       | 3,002            |
| Total changes                                                                             | 3,090                                         | (19)                           | (212)                   | (42)                                     | 2,815                                        | 187                       | 13,606           |
| Balance at March 31, 2018                                                                 | 50,773                                        | (15)                           | 2,917                   | (317)                                    | 53,358                                       | 5,168                     | 308,804          |

## Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (As of March 31, 2018)

(Amounts of less than one million yen are rounded down.)

| ASSETS                                                                     | Amount            |
|----------------------------------------------------------------------------|-------------------|
|                                                                            | (Millions of yen) |
| <b>Current assets</b>                                                      | <b>226,969</b>    |
| Cash and time deposits                                                     | 21,967            |
| Notes receivable - trade                                                   | 5,534             |
| Electronically recorded monetary claims - operating                        | 10,105            |
| Accounts receivable - trade                                                | 146,231           |
| Merchandise                                                                | 18,597            |
| Goods in transit                                                           | 1,631             |
| Deferred tax assets                                                        | 946               |
| Short-term loans receivable from subsidiaries and affiliates               | 16,899            |
| Other current assets                                                       | 7,163             |
| Less allowance for doubtful accounts                                       | (2,108)           |
| <b>Non-current assets</b>                                                  | <b>177,598</b>    |
| Property, plant and equipment                                              | 12,929            |
| Buildings                                                                  | 4,019             |
| Structures                                                                 | 487               |
| Machinery and equipment                                                    | 205               |
| Tools, furniture and fixtures                                              | 920               |
| Land                                                                       | 7,124             |
| Other non-current assets                                                   | 171               |
| Intangible assets                                                          | 1,852             |
| Software                                                                   | 1,741             |
| Other intangible assets                                                    | 111               |
| Investments and other assets                                               | 162,816           |
| Investments in securities                                                  | 88,918            |
| Shares of subsidiaries and affiliates                                      | 40,467            |
| Investments in capital of subsidiaries and affiliates                      | 4,729             |
| Long-term loans receivable from subsidiaries and affiliates                | 35,781            |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 25                |
| Other investments and other assets                                         | 493               |
| Less allowance for doubtful accounts                                       | (7,599)           |
| <b>Deferred assets</b>                                                     | <b>39</b>         |
| Bond issuance cost                                                         | 39                |
| <b>Total assets</b>                                                        | <b>404,607</b>    |

| LIABILITIES AND NET ASSETS                      | Amount            |
|-------------------------------------------------|-------------------|
| LIABILITIES                                     | (Millions of yen) |
| <b>Current liabilities</b>                      | <b>140,716</b>    |
| Notes payable - trade                           | 443               |
| Electronically recorded obligations - operating | 2,314             |
| Accounts payable - trade                        | 86,215            |
| Short-term loans                                | 7,319             |
| Current portion of long-term loans              | 10,548            |
| Commercial papers                               | 5,000             |
| Accounts payable - other                        | 4,243             |
| Accrued income taxes                            | 136               |
| Deposits received                               | 20,368            |
| Accrued bonuses for employees                   | 1,725             |
| Other current liabilities                       | 2,401             |
| <b>Long-term liabilities</b>                    | <b>63,397</b>     |
| Bonds                                           | 20,000            |
| Long-term loans                                 | 15,715            |
| Deferred tax liabilities                        | 19,530            |
| Provision for retirement benefits               | 7,864             |
| Other long-term liabilities                     | 286               |
| <b>Total liabilities</b>                        | <b>204,114</b>    |
| NET ASSETS                                      |                   |
| <b>Shareholders' equity</b>                     | <b>150,844</b>    |
| Common stock                                    | 9,699             |
| Capital surplus                                 | 9,634             |
| Legal capital surplus                           | 9,634             |
| Other capital surplus                           | 0                 |
| Retained earnings                               | 134,623           |
| Legal retained earnings                         | 2,424             |
| Other retained earnings                         | 132,198           |
| Reserve for special depreciation                | 1                 |
| Reserve for reduction entry                     | 2,479             |
| General reserve                                 | 95,510            |
| Retained earnings brought forward               | 34,207            |
| Treasury stock, at cost                         | (3,114)           |
| <b>Valuation and translation adjustments</b>    | <b>49,649</b>     |
| Net unrealized holding gain on securities       | 49,668            |
| Deferred loss on hedges                         | (19)              |
| <b>Total net assets</b>                         | <b>200,493</b>    |
| <b>Liabilities and net assets</b>               | <b>404,607</b>    |

Non-Consolidated Statements of Income (April 1, 2017 – March 31, 2018)

(Amounts of less than one million yen are rounded down.)

|                                                                                | Amount            |                   |
|--------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                | (Millions of yen) | (Millions of yen) |
| Net sales                                                                      |                   | 445,881           |
| Cost of sales                                                                  |                   | 414,679           |
| <b>Gross profit</b>                                                            |                   | <b>31,201</b>     |
| Selling, general and administrative expenses                                   |                   | 27,272            |
| <b>Operating income</b>                                                        |                   | <b>3,928</b>      |
| Non-operating income                                                           |                   |                   |
| Interest income                                                                | 640               |                   |
| Dividend income                                                                | 7,143             |                   |
| Rent income                                                                    | 647               |                   |
| Foreign exchange gains                                                         | 337               |                   |
| Other non-operating income                                                     | 658               | 9,427             |
| Non-operating expenses                                                         |                   |                   |
| Interest expenses                                                              | 537               |                   |
| Amortization of bond issuance cost                                             | 16                |                   |
| Cost of lease revenue                                                          | 147               |                   |
| Other non-operating expenses                                                   | 166               | 868               |
| <b>Ordinary income</b>                                                         |                   | <b>12,488</b>     |
| Extraordinary gains                                                            |                   |                   |
| Gain on sales of property, plant and equipment                                 | 2                 |                   |
| Gain on sales of investments in securities                                     | 0                 |                   |
| Gain on sales of shares of subsidiaries                                        | 91                | 93                |
| Extraordinary losses                                                           |                   |                   |
| Loss on sales of property, plant and equipment                                 | 550               |                   |
| Loss on disposal of property, plant and equipment                              | 32                |                   |
| Loss on sales of shares of a subsidiary                                        | 305               |                   |
| Loss on devaluation of investments in securities                               | 7                 |                   |
| Provision of allowance for doubtful accounts for subsidiaries and an affiliate | 8                 |                   |
| Loss on impairment of non-current assets                                       | 9                 |                   |
| Other extraordinary losses                                                     | 121               | 1,034             |
| <b>Profit before income taxes</b>                                              |                   | <b>11,546</b>     |
| Income taxes - current                                                         | 1,493             |                   |
| Income taxes - deferred                                                        | 29                | 1,523             |
| <b>Profit</b>                                                                  |                   | <b>10,023</b>     |

## Non-Consolidated Statement of Changes in Net Assets (April 1, 2017 – March 31, 2018)

 (Amounts of less than one million yen are rounded down.)  
 (Millions of yen)

|                                              | Shareholders' equity |                       |                       |                       |                         |                                  |                             |                 |                                   |                         |
|----------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|-----------------------------|-----------------|-----------------------------------|-------------------------|
|                                              | Common stock         | Capital surplus       |                       |                       | Retained earnings       |                                  |                             |                 |                                   |                         |
|                                              |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings          |                             |                 |                                   | Total retained earnings |
|                                              |                      |                       |                       |                       |                         | Reserve for special depreciation | Reserve for reduction entry | General reserve | Retained earnings brought forward |                         |
| Balance, at April 1, 2017                    | 9,699                | 9,634                 | 0                     | 9,634                 | 2,424                   | 2                                | 2,897                       | 95,510          | 28,053                            | 128,888                 |
| Changes                                      |                      |                       |                       |                       |                         |                                  |                             |                 |                                   |                         |
| Reversal of reserve for special depreciation |                      |                       |                       |                       |                         | (0)                              |                             |                 | 0                                 | -                       |
| Provision of reserve for reduction entry     |                      |                       |                       |                       |                         |                                  | 310                         |                 | (310)                             | -                       |
| Reversal of reserve for reduction entry      |                      |                       |                       |                       |                         |                                  | (727)                       |                 | 727                               | -                       |
| Cash dividends                               |                      |                       |                       |                       |                         |                                  |                             |                 | (4,287)                           | (4,287)                 |
| Profit                                       |                      |                       |                       |                       |                         |                                  |                             |                 | 10,023                            | 10,023                  |
| Purchases of treasury stock                  |                      |                       |                       |                       |                         |                                  |                             |                 |                                   |                         |
| Disposition of treasury stock                |                      |                       | 0                     | 0                     |                         |                                  |                             |                 |                                   |                         |
| Other changes                                |                      |                       |                       |                       |                         |                                  |                             |                 |                                   |                         |
| Total changes                                | -                    | -                     | 0                     | 0                     | -                       | (0)                              | (417)                       | -               | 6,153                             | 5,735                   |
| Balance, at March 31, 2018                   | 9,699                | 9,634                 | 0                     | 9,634                 | 2,424                   | 1                                | 2,479                       | 95,510          | 34,207                            | 134,623                 |

(Millions of yen)

|                                                       | Shareholders' equity       |                                  | Valuation and translation adjustments           |                                   |                                                   | Total net assets |
|-------------------------------------------------------|----------------------------|----------------------------------|-------------------------------------------------|-----------------------------------|---------------------------------------------------|------------------|
|                                                       | Treasury stock,<br>at cost | Total<br>shareholders'<br>equity | Net unrealized<br>holding gain on<br>securities | Deferred gain<br>(loss) on hedges | Total valuation<br>and translation<br>adjustments |                  |
| Balance, at April<br>1, 2017                          | (1,337)                    | 146,885                          | 47,101                                          | 0                                 | 47,101                                            | 193,986          |
| Changes                                               |                            |                                  |                                                 |                                   |                                                   |                  |
| Reversal of<br>reserve for<br>special<br>depreciation |                            | -                                |                                                 |                                   |                                                   | -                |
| Provision of<br>reserve for<br>reduction entry        |                            | -                                |                                                 |                                   |                                                   | -                |
| Reversal of<br>reserve for<br>reduction entry         |                            | -                                |                                                 |                                   |                                                   | -                |
| Cash dividends                                        |                            | (4,287)                          |                                                 |                                   |                                                   | (4,287)          |
| Profit                                                |                            | 10,023                           |                                                 |                                   |                                                   | 10,023           |
| Purchases of<br>treasury stock                        | (1,776)                    | (1,776)                          |                                                 |                                   |                                                   | (1,776)          |
| Disposition of<br>treasury stock                      | 0                          | 0                                |                                                 |                                   |                                                   | 0                |
| Other changes                                         |                            |                                  | 2,567                                           | (19)                              | 2,547                                             | 2,547            |
| Total changes                                         | (1,776)                    | 3,958                            | 2,567                                           | (19)                              | 2,547                                             | 6,506            |
| Balance, at March<br>31, 2018                         | (3,114)                    | 150,844                          | 49,668                                          | (19)                              | 49,649                                            | 200,493          |

## NAGASE Management Philosophy

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

## 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