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Securities identification code: 8012

May 30, 2019

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 104TH ANNUAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 104th 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 20, 2019 after considering the following Reference Documents for the Annual Shareholders' Meeting.

Meeting Details

1. **Date and time:** Friday, June 21, 2019 at 10:00 a.m. (Reception begins at 9:00 a.m.)
(Japan Standard Time)
2. **Venue:** Nihonbashi Mitsui Hall
COREDO Muromachi 1 (Reception: 4th floor)
2-2-1, Nihonbashi-muromachi, Chuo-ku, Tokyo
3. **Purposes:**
Items to be reported:
 1. Business Report and Consolidated Financial Statements for the 104th Term (from April 1, 2018 to March 31, 2019), as well as the results of audit of the Consolidated Financial Statements by the Independent Auditor and Audit & Supervisory Board
 2. Non-Consolidated Financial Statements for the 104th Term (from April 1, 2018 to March 31, 2019)

Items to be resolved:

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Election of seven (7) Directors
- Proposal 3:** Election of one (1) Audit & Supervisory Board Member
- Proposal 4:** Election of one (1) substitute Audit & Supervisory Board Member
- Proposal 5:** Revision of Limits on Compensation for Audit & Supervisory Board Members

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. The Company proposes the following year-end dividend for the fiscal year.

(1) Type of dividend property

Cash

(2) Allocation of dividend property and total amount thereof

24 yen per common stock of the Company

Total amount of dividends: 2,976,286,392 yen

(3) Effective date of distribution of dividends of surplus

June 24, 2019

Proposal 2: Election of seven (7) Directors

The terms of office of all ten Directors, Hiroshi Nagase, Reiji Nagase, Kenji Asakura, Mitsuro Naba, Osamu Morishita, Ichiro Wakabayashi, Takanori Yamauchi, Masaya Ikemoto, Hidenori Nishi, and Nobumasa Kemori, will expire at the conclusion of this meeting. Of these, Mitsuro Naba, Osamu Morishita, and Takanori Yamauchi will retire from the Company.

In order to enable swift decision making and business execution by management and to enable the Board of Directors to focus even more on important matters regarding management supervision and medium- to long-term improvement of the corporate value, the Company is transferring authority to executive departments as well as the invigorating and improving the efficacy of the Board of Directors. Accordingly, the proposal is for the election of seven Directors (including two outside Directors), lowering the number of Directors by three.


The candidates for Directors are as follows:


To increase objectivity and transparency of nominations for Directors and Executive Officers, the Company established a Nomination Committee consisting of a majority of Independent Outside Directors. The aforementioned Nomination Committee is also reviewing the contents of this proposal.


No.	Name	Position and responsibilities in the Company	Attendance of Board of Directors meetings (fiscal year ended March 31, 2019)	Length of service (as of conclusion of this meeting)	Number of other listed companies where concurrent positions are held
1	Hiroshi Nagase [Reelection] [Inside Director]	Representative Director and Chairman	16 out of 16 (100%)	30 years	0
2	Reiji Nagase [Reelection] [Inside Director]	Director and Vice Chairman	16 out of 16 (100%)	24 years	0
3	Kenji Asakura [Reelection] [Inside Director]	Representative Director, President and CEO	16 out of 16 (100%)	6 years	0
4	Ichiro Wakabayashi [Reelection] [Inside Director]	Representative Director and Managing Executive Officer, in charge of Corporate Sales & Marketing	16 out of 16 (100%)	4 years	0
5	Masaya Ikemoto [Reelection] [Inside Director]	Director and Executive Officer, in charge of Corporate Administration and affiliates	12 out of 12 (100%)	1 year	0
6	Hidenori Nishi [Reelection] [Outside Director] [Independent officer]	Outside Director	16 out of 16 (100%)	5 years	0
7	Nobumasa Kemori [Reelection] [Outside Director] [Independent officer]	Outside Director	16 out of 16 (100%)	3 years	1


Notes:


- 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 Masaya Ikemoto is the number of meetings since he was elected as Director.
- 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.


No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
1	<p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="325 725 502 790">Hiroshi Nagase (July 18, 1949)</p> <p data-bbox="268 813 560 869">Length of service: 30 years (as of conclusion of this meeting)</p> <p data-bbox="268 891 560 947">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p>	<p data-bbox="592 331 1174 685"> April 1977 Joined the Company April 1988 General Manager of Plastics Dept. 2 June 1989 Director June 1995 Managing Director June 1997 Representative Director and Senior Managing Director June 1999 Representative Director and President June 2001 Representative Director and President and CEO April 2015 Representative Director and Chairman (present position) </p> <p data-bbox="592 719 1126 775">[Significant concurrent positions outside the Company] None</p>	1,352,126
<p data-bbox="248 981 751 1010">Reason for nomination as candidate for Director</p> <p data-bbox="272 1014 1385 1164">Hiroshi Nagase has worked mainly in the plastics, electronics, and management planning fields since joining the Company and has the character suitable as a manager of the Company. In addition, he has served as President from 1999 to 2015, and has been responsible for the management supervisory function as Representative Director and Chairman since April 2015. In light of his extensive experience in operations and his knowledge in overall management in the Company, Mr. Nagase is nominated as a candidate for Director.</p>			


No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
2	<p data-bbox="284 338 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="339 730 488 790">Reiji Nagase (June 24, 1955)</p> <p data-bbox="268 813 560 871">Length of service: 24 years (as of conclusion of this meeting)</p> <p data-bbox="268 893 560 952">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p>	<p data-bbox="592 338 1190 427">April 1978 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p data-bbox="592 434 836 456">June 1994 Retired</p> <p data-bbox="592 463 963 486">July 1994 Joined the Company</p> <p data-bbox="592 492 1190 647">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="592 654 951 676">June 1999 Managing Director</p> <p data-bbox="592 683 1169 705">June 2001 Managing Director and Executive Officer</p> <p data-bbox="592 712 1094 770">April 2003 Managing Director and Managing Executive Officer</p> <p data-bbox="592 777 1169 799">June 2003 Director and Managing Executive Officer</p> <p data-bbox="592 806 1163 864">April 2009 Director and Senior Managing Executive Officer</p> <p data-bbox="592 871 1106 929">June 2010 Representative Director and Senior Managing Executive Officer</p> <p data-bbox="592 936 1123 994">April 2015 Director and Vice Chairman (present position)</p> <p data-bbox="592 1039 1169 1158">[Significant concurrent positions outside the Company] Representative Director of Nagase Science and Technology Foundation Representative Director of Hayashibara Museum of Art</p>	89,043
<p data-bbox="248 1178 751 1200">Reason for nomination as candidate for Director</p> <p data-bbox="268 1211 1390 1391">Reiji Nagase has worked mainly in the chemical products and plastics fields since joining the Company and has the character suitable as a manager of the Company. In addition, he has served as president of a number of major manufacturing subsidiary companies of the Company's group (the "Group"), and has been responsible for the management supervisory function as Director and Vice Chairman since April 2015. In light of his extensive experience in operations and his knowledge in overall management in the Company, Mr. Nagase is nominated as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
3	<p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="325 725 507 790">Kenji Asakura (December 11, 1955)</p> <p data-bbox="268 813 564 869">Length of service: Six years (as of conclusion of this meeting)</p> <p data-bbox="268 891 564 947">Attendance of Board of Directors meetings: 16 out of 16 (100%)</p>	<p data-bbox="592 338 1190 589"> April 1978 Joined the Company October 2006 General Manager of Automotive Solutions Dept. April 2009 Executive Officer and General Manager of Automotive Solutions Dept. June 2013 Director and Executive Officer April 2015 Representative Director, President and CEO (present position) </p> <p data-bbox="592 622 1126 678">[Significant concurrent positions outside the Company] None</p>	16,461
<p data-bbox="248 981 751 1010">Reason for nomination as candidate for Director</p> <p data-bbox="272 1014 1414 1196">Kenji Asakura has worked mainly in the electronics, automotive solutions and management planning fields since joining the Company and has a character suitable as a manager of the Company. In addition, he was appointed as Representative Director and President in April 2015. Since then, he has improved the corporate value of the Company by driving the ACE-2020 mid-term management plan forward, which was built on the twin pillars of <i>Reform Profit Structure</i> and <i>Reform Corporate Culture</i>. In light of his extensive experience in operations and his knowledge in overall management, Mr. Asakura is nominated as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
4	<p data-bbox="284 338 544 365">[Inside Director] [Reelection]</p>  <p data-bbox="300 730 528 790">Ichiro Wakabayashi (October 25, 1957)</p> <p data-bbox="260 808 568 857">Length of service: Four years (as of conclusion of this meeting)</p> <p data-bbox="268 880 560 965">Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p>	<p data-bbox="592 338 1166 651"> April 1981 Joined the Company April 2008 General Manager of Industrial Material Dept. April 2010 Executive Officer, General Manager of Industrial Material Dept. June 2015 Director and Executive Officer April 2018 Director and Managing Executive Officer April 2019 Representative Director and Managing Executive Officer, in charge of Corporate Sales & Marketing (present position) </p> <p data-bbox="592 689 1126 745">[Significant concurrent positions outside the Company] None</p>	10,372
<p data-bbox="248 999 751 1025">Reason for nomination as candidate for Director</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 and has a character suitable for being a part of the Company's management team. He is currently in charge of Corporate Sales & Marketing, and strives to improve corporate value by accelerating investments in the target fields as well as globalization. In light of his extensive experience in operations and his knowledge in overall management, Mr. Wakabayashi is nominated as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
5	<p data-bbox="284 331 544 360">[Inside Director] [Reelection]</p>  <p data-bbox="316 725 512 790">Masaya Ikemoto (September 20, 1961)</p> <p data-bbox="264 806 564 857">Length of service: One year (as of conclusion of this meeting)</p> <p data-bbox="268 878 561 965">Attendance of Board of Directors meetings: 12 out of 12 Board of Directors meetings (100%)</p>	<p data-bbox="592 331 1193 651"> April 1984 Joined the Company April 2013 General Manager of Automotive Solutions Dept. April 2015 Executive Officer and General Manager of Automotive Solutions Dept., Manager of Nagoya Branch June 2018 Director and Executive Officer April 2019 Director and Executive Officer, in charge of Corporate Administration and affiliates (present position) </p> <p data-bbox="592 685 1129 745">[Significant concurrent positions outside the Company] None</p>	6,216
<p data-bbox="248 999 751 1028">Reason for nomination as candidate for Director</p> <p data-bbox="268 1030 1406 1182">Masaya Ikemoto has worked mainly in the plastics, electronics and management planning fields since joining the Company and has a character suitable for being a part of the Company's management team. He is currently in charge of Corporate Administration and affiliates, and strives to reinforce the sustainable growth and management platform of the Company. In light of his extensive experience in operations and his knowledge in overall management, Mr. Ikemoto is nominated as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
6	<p data-bbox="277 338 547 394">[Outside Director] [Reelection] [Independent officer]</p>  <p data-bbox="328 759 497 819">Hidenori Nishi (January 6, 1951)</p> <p data-bbox="261 844 568 900">Length of service: Five years (as of conclusion of this meeting)</p> <p data-bbox="269 925 560 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. June 2000 Director of KAGOME CO., LTD. June 2003 Director and Executive Officer of KAGOME CO., LTD. June 2005 Director and Managing Executive Officer of KAGOME CO., LTD. June 2008 Director and Senior Managing Executive Officer of KAGOME CO., LTD. April 2009 Representative Director and President of KAGOME CO., LTD. January 2014 Representative Director and Chairman of KAGOME CO., LTD. June 2014 Director of the Company (present position) March 2016 Chairman of the Board of KAGOME CO., LTD. March 2018 Retired from office of Chairman of the Board of KAGOME CO., LTD. </p> <p data-bbox="592 911 1193 1032"> [Significant concurrent positions outside the Company] Chairman of Japan Cannery Association Outside Director of FUJI OIL HOLDINGS INC. (scheduled to assume the position in June 2019) </p>	1,485
<p data-bbox="248 1048 831 1077">Reason for nomination as candidate for outside Director</p> <p data-bbox="272 1081 1409 1238">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 1261 823 1290">Special notes concerning candidate for outside Director</p> <p data-bbox="248 1294 1423 1675"> 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 Cannery Association. In addition, he is scheduled to assume the position of Outside Director of FUJI OIL HOLDINGS INC. in June 2019, but the Company does not have any business relationships with these companies and organizations. 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 (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
7	<p>[Outside Director] [Reelection] [Independent officer]</p>  <p>Nobumasa Kemori (April 12, 1951)</p> <p>Length of service: Three years (as of conclusion of this meeting)</p> <p>Attendance of Board of Directors meetings: 16 out of 16 Board of Directors meetings (100%)</p>	<p>September 1980 Joined Sumitomo Metal Mining Co., Ltd.</p> <p>June 2006 Managing Executive Officer and Director of Sumitomo Metal Mining Co., Ltd.</p> <p>June 2007 Representative Director and President of Sumitomo Metal Mining Co., Ltd.</p> <p>June 2013 Representative Director and Chairman of Sumitomo Metal Mining Co., Ltd.</p> <p>June 2016 Director and Chairman of Sumitomo Metal Mining Co., Ltd.</p> <p>June 2016 Director of the Company (present position)</p> <p>June 2017 Executive Adviser of Sumitomo Metal Mining Co., Ltd. (present position)</p> <p>[Significant concurrent positions outside the Company] Outside Director of JFE Holdings, Inc. Outside Director of Sumitomo Realty & Development Co., Ltd. (scheduled to assume the position in June 2019)</p>	2,155
<p>Reason for nomination as candidate for outside Director</p> <p>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>Special notes concerning candidate for outside Director</p> <p>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 2019 was below 0.1% of the net sales and net purchases of the Company, which in light of the scale of the Company's net sales and net purchases, is not significant to give rise to a special relationship. Furthermore, he is Outside Director of JFE Holdings, Inc., and there are sales transactions between the Company and JFE Holdings, Inc., but the amount of those transactions in the fiscal year ended March 2019 was below 0.1% of the net sales and net purchases of the Company, which in light of the scale of the Company's net sales and net purchases, is not significant to give rise to a special relationship. In addition, he is scheduled to assume the position of Outside Director of Sumitomo Realty & Development Co., Ltd. in June 2019, but the Company does not have any business relationships with Sumitomo Realty & Development Co., Ltd. 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>			

Notes:

1. Hidenori Nishi and Nobumasa Kemori are candidates for outside Director and are independent officers pursuant to the regulations of financial instruments exchanges.
2. Special interests with the Company
 - (1) Candidate Reiji Nagase also serves as Representative Director of Nagase Science and Technology Foundation, to which the Company makes contributions.
 - (2) 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.
 - (3) There are no special interests between the other candidates and the Company.

3. 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.

4. 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 Masaya Ikemoto is the number of meetings since he was elected as Director.
5. Shares of the Company held by each candidate include shares nominally held by NAGASE & CO., LTD. Officer's Shareholding Association.

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

The term of office of Kenichi Matsuki, the Audit & Supervisory Board Member, will expire at the conclusion of this meeting, and he will retire from the Company. 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 (Date of birth)	Career summary, position and significant concurrent positions outside the Company	Number of the Company's shares held
<p>[Inside Audit & Supervisory Board Member] [New election]</p>  <p>Mitsuru Kanno (January 1, 1959)</p>	<p>April 1983 Joined the Company</p> <p>April 2004 Management of Colors & Additives Section, Colors & Imaging Dept.</p> <p>April 2008 Manager of Business Strategies Office</p> <p>April 2011 General Manager of Fine Chemicals Dept.</p> <p>April 2012 Executive Officer and General Manager of Fine Chemicals Dept.</p> <p>April 2013 Executive Officer and General Manager of Colors & Imaging Dept.</p> <p>April 2015 Executive Officer and General Manager of Colors & Advanced Processing Dept.</p> <p>April 2016 Executive Officer and Nagase (Europa) GmbH CEO</p> <p>April 2019 Assistant to General Manager of Human Resources & General Affairs Div. (present position)</p> <p>[Significant concurrent positions outside the Company] None</p>	<p>6,741</p>
<p>Reason for nomination as candidate for Audit & Supervisory Board Member</p> <p>Mitsuru Kanno has exceptional knowledge and results mainly in the fields of chemical products and business strategy, in which he has worked since joining the Company. In addition, based on his extensive experience in operations and management gained by serving at the Company's European subsidiary, we determined that he will properly perform his duties as Audit & Supervisory Board Member, and we request his election.</p>		

Notes:

1. There are no special interests between Mitsuru Kanno and the Company.
2. Shares of the Company held by Mitsuru Kanno include shares nominally held by NAGASE & CO., LTD. Own Share Investment Association.

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 (Date of birth)	Career summary, position and significant concurrent positions outside the Company	Number of the Company's shares held
<p>[External Audit & Supervisory Board Member] [Reelection] [Independent officer]</p> <p>Hidekado Miyaji (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] None</p>	0
<p>Reason for nomination as candidate for substitute External Audit & Supervisory Board Member</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 & Supervisory Board Member, and we request his election.</p>		
<p>Special notes concerning candidate for substitute External Audit & Supervisory Board Member</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.

Proposal 5: Revision of Limits on Compensation for Audit & Supervisory Board Members

Compensation paid to the Company's Audit & Supervisory Board Members in the amount of no more than 80 million yen was approved by the 91st Annual Shareholders' Meeting held on June 28, 2006. Afterwards, as business expands, the importance of corporate governance and compliance is further increasing. In consideration of the increasing responsibilities of Audit & Supervisory Board Members, we are requesting approval to revise compensation paid to Audit & Supervisory Board Members to an amount of no more than 100 million yen.

There are currently four Audit & Supervisory Board Members (of which, three are Full-time Audit & Supervisory Board Members and one is Part-time Audit & Supervisory Board Member). However, even if Proposal 3 is resolved and approved as originally proposed, there will be no change in the number of Audit & Supervisory Board Members.

Business Report (April 1, 2018 to March 31, 2019)

1. Nagase Group business conditions

(1) Development and results of business operations

During the fiscal year, the Japanese economy witnessed improved corporate earnings and strong personal consumption on the back of improvements in the conditions surrounding employment and income. However, slower growth has been observed especially in industries that mainly respond to overseas demand because uncertainties have increased in the global economy since the end of the previous year. Although steady corporate earnings in the United States and other indicators have lead the global economy, U.S.-China trade friction, national fiscal policies, exchange rate trends, and other emerging risk factors have given rise to concerns about the future direction of the world economy.

Under these circumstances, results during the fiscal year were domestic sales of 412.61 billion yen (up 4.3% from the previous fiscal year), overseas sales of 395.13 billion yen (up 1.7%), and reported record high net sales of 807.75 billion yen (up 3.0%).

With regard to profit, as a result of higher overall revenues in both Japan and overseas, improvements of profitability in manufacturing subsidiaries, and other positive factors, the gross profit was 105.44 billion yen (up 2.7%) and operating income was 25.22 billion yen (up 4.6%). Ordinary income was 26.64 billion yen (up 2.5%), profit attributable to owners of parent was 20.13 billion yen (up 17.2%), also reported record high profits.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Year on year	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Net sales	783,933	807,755	+23,822	+3.0%
Operating income	24,118	25,226	+1,107	+4.6%
Ordinary income	25,982	26,643	+661	+2.5%
Profit attributable to owners of parent	17,175	20,136	+2,961	+17.2%

Overview by Segment

The Company reclassified certain reportable segments in the current fiscal year. Year-on-year amounts and percentages in the previous fiscal year have been recalculated and reclassified to conform to the current fiscal year.

<Functional Materials>

Net sales

179.6 billion yen (up 2.7% from the previous fiscal year)

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

The Performance Chemicals business recorded higher sales year on year, mainly due to improved sales of coating raw materials and urethane materials, spurred by strong automotive production in Japan and overseas, as well as naphtha price increases. Another contributing factor was the additional sales of the U.S. distributor acquired in the second quarter of the prior fiscal year, reflected for an entire period of the current fiscal year.

The Specialty Chemicals business recorded slightly higher sales overall. Despite a decline in sales overseas, sales of electronics chemicals and plastic materials/plastic additives mainly for the semiconductor and other related electronics industries increased in Japan.

As a result, the segment recorded sales of 179.62 billion yen for the year, representing a 4.7 billion yen (2.7%) increase year on year. Operating income was 5.49 billion yen, representing a 300 million yen (6.0%) increase year on year.

<Advanced Materials & Processing>

Net sales

275.2 billion yen (up 4.7% from the previous fiscal year)

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

The Colors & Advanced Processing business recorded higher sales as a whole, driven by growth in Japan for plastic resins for industrial and packaging applications and dyes/additives, as well as growth in digital print processing materials in both Japan and overseas.

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. The sales of those business were higher overall, driven by growth in Japan, Greater China, and ASEAN.

As a result, the segment recorded sales of 275.2 billion yen for the year, representing a 12.37 billion yen (4.7%) increase year on year. Operating income was 8.09 billion yen, representing a 1.39 billion yen (20.8%) increase year on year.

<Electronics>

Net sales

122.3 billion yen (down 5.4% from the previous fiscal year)

The Electronics segment recorded lower sales in both domestic and overseas markets.

Despite ongoing strength in formulated epoxy resins sales to the semiconductor industry, lower photolithography material and equipment-related sales resulted in a decline in sales for the Electronic Chemicals business as a whole.

The Electronic Materials business recorded lower sales as a whole, due to decreases in display-related products, despite strong performance in our business for abrasives used in interim processing in semiconductors.

As a result, the segment recorded sales of 122.31 billion yen for the year, representing a 7 billion yen (5.4%) decrease year on year. Operating income was 7.4 billion yen, representing a 1.51 billion yen (17.0%) decrease year on year.

<Automotive & Energy>

Net sales

139.2 billion yen (up 7.3% from the previous fiscal year)

The Automotive Solutions business recorded higher sales as a whole, driven by strong performance in our resins business in Japan, Greater China, and ASEAN. Sales growth for car electronics-related products was another positive factor.

As a result, the segment recorded sales of 139.23 billion yen for the year, representing a 9.52 billion yen (7.3%) increase year on year. Operating income was 3.05 billion yen, representing a 630 million yen (26.4%) increase year on year.

Note: The “Automotive & Energy segment” was renamed the “Mobility & Energy segment” as of April 1, 2019.

<Life & Healthcare>

Net sales

90.7 billion yen (up 4.9% from the previous fiscal year)

The Life & Healthcare segment recorded higher sales in both domestic and overseas markets.

Sales of TREHA™ and other products in the food ingredients field in the Life & Healthcare Products business rose overseas and were slightly increased in Japan. Sales of AA2G™ to customers in the skin care and toiletries sectors were higher both in Japan and overseas. In the medical and pharmaceuticals fields, sales of pharmaceutical raw materials and intermediates, medical materials and the pharmaceutical business were increased. As a result, the business recorded higher 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 across all product categories.

As a result, the segment recorded net sales of 90.79 billion yen for the year, representing a 4.27 billion yen (4.9%) increase year on year. Operating income was 4.64 billion yen, representing a 440 million yen (10.6%) increase year on year.

<Other>

No special matters to disclose.

(2) Status of capital investment, etc.

During the fiscal year, the Group made 10.61 billion yen in capital investment (including intangible fixed assets), including 2.11 billion yen in capital investment in new Pullulan and enzyme facility at Okayama Plant II of Hayashibara Co., Ltd. (in the Life & Healthcare segment).

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

Segment	Amount (millions of yen)
Functional Materials	314
Advanced Materials & Processing	1,542
Electronics	3,201
Automotive & Energy	329
Life & Healthcare	3,206
Other, Company-wide (common)	2,018
Total	10,612

(3) Status of capital procurement

During the fiscal year, short-term loans increased by 3.03 billion yen and commercial paper increased by 7.0 billion yen mainly due to an increase in working capital both in Japan and overseas. In addition, the Group repaid 11.17 billion yen in long-term loans using cash flows from operating activities as the source of funds, and procured 580 million yen in long-term loans. As a result of the above and effects from fluctuations in foreign currency exchange rates and other factors, the Group's interest-bearing liabilities decreased by 550 million 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., Singapore, Hong Kong 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

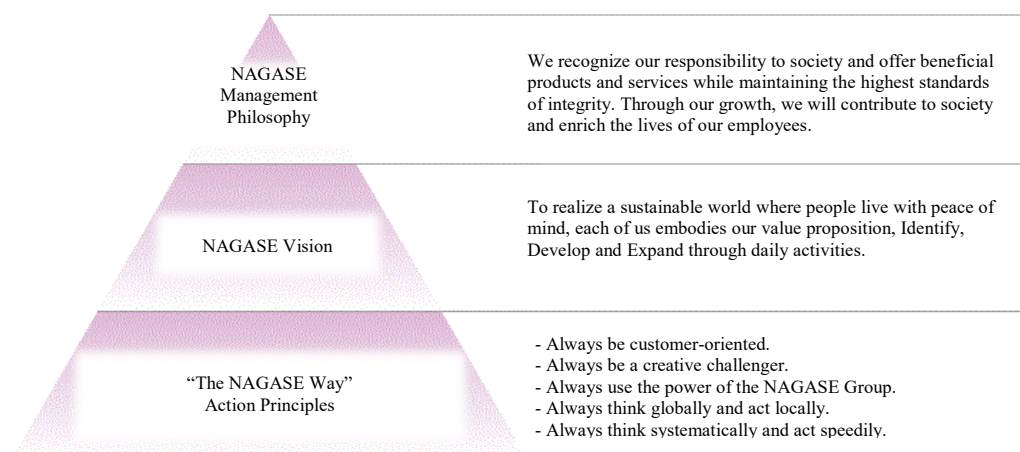
No applicable information.

(8) Issues to be addressed

The Company sees the matters raised in the long-term management policies targeting through the year 2032 and the **ACE-2020** mid-term management plan for the five years between fiscal 2016 and fiscal 2020 as issues to be addressed.

(1) Basic Principle

The Company has established the following Management Philosophy, Vision, and The NAGASE Way as a set of common values for the Group.



(2) Long-Term Management Policies

As we approach the fiscal 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.

(3) **ACE-2020** Mid-Term Management Plan

In order to achieve the objectives of the long-term management policies, we divided 17 years from the fiscal 2016 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.

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

	Targets	Fiscal 2018	Fiscal 2017	Fiscal 2016
Consolidated net sales	1.0 trillion yen or more	807.7 billion yen	783.9 billion yen	722.3 billion yen
Consolidated operating income	30.0 billion yen or more	25.2 billion yen	24.1 billion yen	15.0 billion yen
ROE	6.0% or more	6.6%	5.8%	3.7%

* Our goal is to normalize the above target.

(4) Framework and Measures of Mid-Term Management Plan

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

In the fourth year of the mid-term management plan, we conducted “**ACE-2020** rolling” at a group-wide level to raise the potential to reach our goals. Through the rolling process, we analyzed external and internal environments, identified the discrepancies between the current state and the projection at the time of formulating the mid-term management plan, and decided to revise certain business systems and measures. As a result of the rolling, no changes are made in the quantitative and qualitative targets.

The following three issues have increased in importance:

- A) Supply issue in conformance with stricter global environmental regulations
 - B) Global governance that conforms to the expansion of overseas business opportunities
 - C) Further strengthening of compliance system in the manufacturing business
- a) Reform Profit Structure

Focused Measures a)-1: Portfolio Optimization

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

Focus Area: Life & Healthcare, Electronics

During this fiscal year, in the “Focus” area, Life & Healthcare, we undertook the construction of a new plant to produce pullulan, which is natural polysaccharide, and a wide range of enzymes, in order to boost production capability, with an eye toward future demand expansion attributable to the conclusion of the long-term partnership agreement with Lonza in Switzerland. We also decided to establish the Foods Business Strategy Office with the aim of building our strategy on the food ingredients market and expanding our businesses.

In another “Focus” area, Electronics, we made an investment in 3D Glass Solutions, Inc. with the aim of developing high-frequency products conforming to the next-generation communications specification and expanding the semiconductor business. We also decided to newly establish the Electronics Department by integrating the Electronic Materials Department and Electronic Chemicals Department in the Electronics segment. Through this integration and establishment, we will flexibly respond to changes in technologies, intended uses and industrial structure, while expanding our business with an industry-wide perspective.

Within the “Growth/Emerging” area, we commenced collaborative operations with U.S. TriLumina Corporation and Canadian LeddarTech Inc. which possess LiDAR-related technologies, to enter into the self-driving technology area. We also extended the domain to all mobility-related businesses, formulated a policy, “we will provide solutions that realize security, safety and comfort in an environment-friendly manner for the next-generation mobility society,” and decided to change the name of the “Automotive & Energy” segment to the “Mobility & Energy” segment from April 2019.

We also reached an agreement with IBM to develop a platform for materials informatics (MI) which searches new and alternative materials using artificial intelligence and high-speed data processing systems. We expect to start providing services in fiscal 2020.

Concerning the “Base” area, we conducted sales activities for chemical products and plastics both in Japan and overseas, and promoted environment-related businesses, such as sales promotion activities for Pat!naLock™ paint with corrosion resistance, which received the Excellence Prize of the Infrastructure Maintenance Award by the Ministry of Land, Infrastructure, Transport and Tourism, development activities for sale of exhaust and effluent treatment equipment, and conformance to environmental regulations in China and other countries.

Moreover, we were selected as a Japanese distributor for Tritan™ plastic which is recognized for its excellent transparency and durability, etc., in all “Saizeriya” Italian restaurants. The Company also held a result presentation of the industrial-academic collaboration research with Musashino Art University and Tama Art University with the objective of pursuing the possibilities of the material through the design of daily articles.

In the “Improvement” area, we decided to withdraw from some unprofitable businesses to reallocate management resources.

Focused Measures a)-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, aiming to create new businesses, make prompt investment decisions, and strengthen governance, we decided to establish regional headquarters overseas. We established regional headquarters in the Greater China area (including Taiwan and Hong Kong) during the fiscal year, with additional headquarters to be established in the Americas area (including Mexico and Brazil) at the beginning of fiscal 2019. We also established Infinite Material Solutions LLC as a joint venture with U.S. Interfacial Consultants LLC with the focus on development and manufacturing of specialty materials for industrial-use 3D printers.

The manufacturing business sector focused on measures on raw materials and energy costs and continued its improvement activities to bring down the break-even point. Fukui Yamada Chemical Co., Ltd., a wholly owned subsidiary received the Fukui Prefecture Governor Award for Excellence Saving Energy Management Company. We also held a meeting for Group managers who are responsible for the manufacturing business to discuss improvements to countermeasures regarding full dissemination of compliance, safe operations, and other common issues.

b) Reform Corporate Culture

Focused Measures b)-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 conducted **ACE-2020** rolling to ensure thorough implementation of monitoring and PDCA. Through the rolling process, we reviewed preconditions and market environments determined at the time of formulating the plan, and examined measures taken toward achieving **ACE-2020**. In addition, we conducted a survey targeting personnel in manager position and higher of 37 group companies in Japan and overseas. The answers to the survey enabled us to confirm the general understanding and penetration of **ACE-2020**. Additionally, we continued to distribute the management’s video messages and conduct inner branding activities.

Focused Measures b)-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 continued to review routine functions and organizations of back office divisions to strengthen the corporate functions and enhance productivity in the core business. Nagase Business Expert Co., Ltd., which is a shared service company, commenced the operation of a credit management system for sales companies in Japan. In addition, the scope of business was expanded by using RPA to drive forward standardization and streamlining of operations.

Regarding “HR Development,” we started operating new HR policies with the aim of expanding career plan options, promptly selecting personnel who have achieved results and reflecting their performance in their treatment. We were also certified as an Outstanding Enterprise in Health and Productivity Management (White 500) and issued a declaration on health management. In this manner, we further improved the office environment to make it worker-friendly.

(9) Changes in assets and profit/loss

(Unit: millions of yen)

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Net sales	742,194	722,384	783,933	807,755
Ordinary income	18,390	16,361	25,982	26,643
Profit attributable to owners of parent	12,316	10,331	17,175	20,136
Profit per share (Unit: yen)	96.96	81.65	136.34	161.30
Total asset	512,081	530,775	569,456	567,346
Net asset	279,149	295,198	308,804	312,609

Notes:

1. Amounts indicated in units of one million yen are rounded down to the nearest one million yen.
2. At the beginning of the fiscal year, the Company adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) and other related rules. The amount of total assets for the previous fiscal year (103rd Term) is adjusted retrospectively to conform to this accounting standard.

(10) Status of parent company and main subsidiaries (As of March 31, 2019)

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.	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.
Nagase (Thailand) Co., Ltd.	(thousand) BAHT 321,000	100.0%	Import/export, intermediate trade, market development, information collection
Nagase Plastics Co., Ltd.	310 million yen	100.0%	Sale of plastic products, etc.
Shanghai Hua Chang Trading Co., Ltd.	(thousand) RMB 19,864	70.0% (53.8%)	Sale of plastics and related products
Nagase (Hong Kong) Ltd.	(thousand) HK\$ 3,120	100.0%	Import/export, intermediate trade, market development, information collection
Shanghai Nagase Trading Co., Ltd.	(thousand) RMB 8,120	100.0%	Import/export, intermediate trade, market development, information collection
Nagase America Corporation	(thousand) 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:

1. Figures in parentheses under percentage of voting rights held indicate indirect ownership (included in total equity holdings).

2. The name of Nagase America Corporation was changed to “Nagase America LLC” due to the entity conversion conducted on April 1, 2019.
3. As of the end of the fiscal year, there were no specified wholly owned subsidiaries.

(11) Main business activities (As of March 31, 2019)

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, 2019)

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)
	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) Nagase ChemteX Corporation: Harima Plant, (Tatsuno, Hyogo), Fukuchiyama Plant (Fukuchiyama, Kyoto), Sakai Factory (Sakai, Osaka) Totaku Industries, Inc.: Kansai Rinku Factory (Sennan, Osaka), Kanto Oyama Factory (Oyama, Tochigi) 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	Nagase (Thailand) Co., Ltd., Shanghai Hua Chang Trading Co., Ltd., Nagase (Hong Kong) Ltd., Shanghai Nagase Trading Co., Ltd., Nagase America Corporation, and others	

(13) Status of employees (As of March 31, 2019)

a) Status of the corporate group employees

Business Segment	Number of employees
Functional Materials	646
Advanced Materials & Processing	1,474
Electronics	1,516
Automotive & Energy	343
Life & Healthcare	1,122
Other	268
Company-wide (common)	774
Total	6,143

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
851	-10	41.3	15.2 years

Note: The number of employees indicates the number of persons employed.

(14) Main lenders and loan amounts (As of March 31, 2019)

Lenders	Loan amounts
Sumitomo Mitsui Banking Corporation	18,604 million yen
MUFG Bank, Ltd.	13,335 million yen
Mizuho Bank, Ltd.	7,175 million yen

Note: Amounts of less than one million yen are rounded down to the nearest one million yen.

(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, 2019)

- (1) Total number of shares authorized 346,980,000
- (2) Total number of shares issued 127,408,285
- (3) Number of shareholders 12,788

(4) Principal shareholders (top 10)

Principal shareholders	Number of shares held (thousand shares)	Holdings percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,290	5.9
Japan Trustee Services Bank, Ltd. (Trust Account)	6,319	5.1
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,888	4.7
Sumitomo Mitsui Trust Bank, Limited	5,776	4.7
Sumitomo Mitsui Banking Corporation	4,377	3.5
Nippon Life Insurance Company	3,589	2.9
Reiko Nagase	3,541	2.9
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,122	2.5
Nagase Shunzo Co., Ltd.	2,688	2.2
NAGASE & CO., LTD. Own Share Investment Association	2,414	1.9

Notes:

- The Company holds 3,396,352 shares of treasury stock, and holdings percentages are calculated with this quantity excluded.
- Quantities of less than one thousand 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, 2019)

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 Representative Director of Hayashibara Museum of Art
Representative Director and President	Kenji Asakura		
Representative Director	Mitsuro Naba	In charge of Corporate Administration	
Director	Osamu Morishita	In charge of Manufacturing, Osaka region, Energy Business Office and special missions	
Director	Ichiro Wakabayashi	In charge of Corporate Sales & Marketing	
Director	Takanori Yamauchi	General Manager of BPR & Administration Div., General Manager of Legal Div., in charge of Human Resources & General Affairs Div. and Information Technology Div.	
Director	Masaya Ikemoto	General Manager of Corporate Planning Div., in charge of Affiliates and New Value Creation Office	
Director	Hidenori Nishi		Chairman of Japan Cannery Association
Director	Nobumasa Kemori		Outside Director of JFE Holdings, Inc.
Full-time Audit & Supervisory Board Member	Nobuyuki Shirafuji		
Full-time Audit & Supervisory Board Member	Kenichi Matsuki		
Full-time Audit & Supervisory Board Member	Masanori Furukawa		
Audit & Supervisory Board Member	Gan Matsui	Attorney	Outside Audit & Supervisory Board Member of Orient Corporation Outside Audit & Supervisory Board Member of TOTETSU KOGYO CO., LTD. Outside Director (Audit and Supervisory Committee Member) of GLOBERIDE, Inc. Attorney of Yaesu Sogo Law Office

Notes:

1. Directors Hidenori Nishi and Nobumasa Kemori are outside Directors and are independent officers pursuant to the regulations of financial instruments exchanges.
2. Full-time Audit & Supervisory Board Member Nobuyuki Shirafuji and Audit & Supervisory Board Member Gan Matsui are External Audit & Supervisory Board Members and are independent officers pursuant to the regulations of financial instruments exchanges.
3. Full-time Audit & Supervisory Board Member Nobuyuki Shirafuji has many years of experience in financial institutions and possesses considerable knowledge regarding finance and accounting.
4. Full-time Audit & Supervisory Board Member Masanori Furukawa has many years of experience engaged in the finance and accounting departments of the Company and possesses considerable knowledge regarding finance and accounting.
5. Audit & Supervisory Board Member Gan Matsui has many years of experience in the legal field as an attorney and possesses considerable knowledge regarding compliance and governance.
6. 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 Gan Matsui, 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.
7. 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.
8. Changes in Directors and Audit & Supervisory Board Members during the fiscal year
 - (1) Appointments
Masaya Ikemoto was newly elected and appointed as Director and Gan Matsui was newly elected and appointed as Audit & Supervisory Board Member at the 103rd Annual Shareholders' Meeting held on June 22, 2018.
 - (2) Retirements
Director Kohei Sato retired from office due to the expiration of his term of office, and Audit & Supervisory Board Member Toshio Takano retired from office due to resignation, effective as of the conclusion of the 103rd Annual Shareholders' Meeting held on June 22, 2018.
 - (3) Changes in status or areas of responsibility of Directors during the fiscal year
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

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

Position	Name	New	Old
Director	Takanori Yamauchi	General Manager of BPR & Administration Div., General Manager of Legal Div., in charge of Human Resources & General Affairs Div. and Information Technology Div.	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.

<Reference>

1. Representative Directors as of April 1, 2019 were as set forth below.

Name	New	Old
Ichiro Wakabayashi	Representative Director	Director
Mitsuro Naba	Director	Representative Director

2. The areas of responsibility of Directors as of April 1, 2019 were as set forth below.

Position	Name	New	Old
Director	Takanori Yamauchi	In charge of Nagase Business Expert Co., Ltd.	General Manager of BPR & Administration Div., General Manager of Legal Div., in charge of Human Resources & General Affairs Div. and Information Technology Div.
Director	Masaya Ikemoto	In charge of Corporate Administration and affiliates	General Manager of Corporate Planning Div., in charge of affiliates and New Value Creation Office
Director	Mitsuro Naba		In charge of Corporate Administration
Director	Osamu Morishita		In charge of Manufacturing, Osaka region, Energy Business Office and special missions

Note: Directors Mitsuro Naba and Osamu Morishita retired from office of Executive Officer effective March 31, 2019.

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

Executive Officers were elected on April 1, 2019, and their areas of responsibility were as set forth below.

Status	Name	Areas of responsibility
Managing Executive Officer	Naoki Yasuba	In charge of Hayashibara Co., Ltd. and Nagase R&D Center
Managing Executive Officer	Satoru Fujii	In charge of Nagase ChemteX Corporation
Executive Officer	Masatoshi Kamada	Greater China CEO
Executive Officer	Yasuhiro Mihara	General Manager of Corporate Planning Div.
Executive Officer	Takahiro Okumura	In charge of Energy Business Office and New Value Creation Office
Executive Officer	Kusuo Ota	General Manager of Colors & Advanced Processing Dept., in charge of Nagase Application Workshop and General Manager of Nagase Application Workshop
Executive Officer	Hiroyuki Ueshima	General Manager of Mobility 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
Executive Officer	Yasumitsu Orii	General Manager of New Value Creation Office
Executive Officer	Ryuichi Uchida	Americas and Europe CEO
Executive Officer	Takeshi Takada	General Manager of Electronics Dept.
Executive Officer	Noriaki Arashima	General Manager of Specialty Chemicals Dept.
Executive Officer	Noriyoshi Yamaoka	General Manager of Human Resources & General Affairs Div. and General Manager of BPR & Administration Div.

(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	11	423 million yen	450 million yen annually (Resolution of Meeting on June 24, 2015)
Audit & Supervisory Board Member	5	78 million yen	80 million yen annually (Resolution of Meeting on June 28, 2006)
Total	16	501 million yen	

Notes:

1. Included in the above is 52 million yen in total compensation paid to the five outside Directors.
2. The total amount paid to Directors indicated above includes 171 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, 40 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 Director and one Audit & Supervisory Board Member who retired effective as of the conclusion of the 103rd Annual Shareholders' Meeting held in June 22, 2018.
5. Policy on determination of officer compensation amounts and the calculation method

The Company establishes policy on officer compensation amounts and the calculation method, and as a basic policy, the Company provides officer compensation that suits the scope of roles and responsibility for each position and that serves as motivation to sustainably enhance the Company's corporate value. Based on the above policy, compensation paid to officers other than outside Directors and External Audit & Supervisory Board Members comprises base compensation which is fixed commensurate with their position and performance-linked compensation (bonuses). 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. Compensation paid to outside Directors and External Audit & Supervisory Board Members includes solely base compensation, which is a fixed compensation in consideration of the details of their duties.

Officer compensation amounts and the calculation method thereof are determined within the range of the total amount resolved in advance at a shareholders meeting through discussion of Representative Directors appointed by the Board of Directors as to Directors and of Audit & Supervisory Board Members as to Audit & Supervisory Board Members.

Regarding the decision on compensation, the Compensation Committee in which the majority of members are outside Directors, deliberates the suitability of compensation systems and levels 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 Japan Canners Association	No special relationship
Outside Director	Nobumasa Kemori	Outside Director of JFE Holdings, Inc.	The Company sells products to and engages in other transactions with JFE Holdings, Inc.
External Audit & Supervisory Board Member	Gan Matsui	Outside Audit & Supervisory Board Member of Orient Corporation	No special relationship
		Outside Audit & Supervisory Board Member of TOTETSU KOGYO CO., LTD.	No special relationship
		Outside Director (Audit and Supervisory Committee Member) of GLOBERIDE, Inc.	The Company sells products to GLOBERIDE, Inc.
		Attorney of Yaesu Sogo Law Office	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.
	Gan Matsui	Attended 12 of 12 Board of Directors meetings held since he took office on June 22, 2018 (attendance rate: 100%) and all 12 meetings of the Audit & Supervisory Board held since he took office on June 22, 2018 (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 (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 17, 2019, the basic policy was partially revised, and the following is the revised basic policy. A major revision item is as follows:

Under "a) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation," the Company has formulated internal rules on individual issues, and makes decisions through multidirectional examination on compliance and other important points from a professional perspective. Moreover, the Company has added a statement to the effect that the Audit Office conducts internal audits relating to the status of execution of duties by Directors and employees 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 our responsibility to society while maintaining the highest standards of integrity," the Company has established Risk Management & Compliance Committee, has established Basic Compliance Policy, and has 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 directors and employees, and the members make all determinations relating to risk management and compliance. When necessary, the Committee engages outside experts and works to prevent violations of laws and regulations and the Articles of Incorporation.

In addition, the Company has formulated internal rules on individual issues, and makes decisions through multidirectional examination on compliance and other important points from a professional perspective. Our Audit Office conducts internal audits relating to the status of execution of duties by Directors and employees in accordance with the Internal Audit Rules.

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 Committee 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 by the Committee.

- 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 Company has 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 Committee promptly designates the responsible division to address the risks, and also develops a system for prompt and appropriate communication and emergency procedures in case that an incident occurs within the Group.

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 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 of the Company 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.

Furthermore, regarding the internal reporting system, the Company operates it in an appropriate and proper way that ensures the information management of the contents of the report and ensures people reporting incidents or concerns regarding non-compliance will not suffer any disadvantage. 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. The systems that the Directors and Audit & Supervisory Board members can access and view these documents at any time, are established and implemented appropriately.

- 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, 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 conducts appropriate 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 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, systems have been established to enable the Directors, employees, and so on of the Company and Group companies to report to Audit & Supervisory Board or 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, and the systems are implemented appropriately. 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. The systems are implemented appropriately.

- (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 finance 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 fiscal 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 fiscal 2016 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 "Renewal of Policy for Responding to Large-Scale Purchases of the Company Shares (Anti-Takeover Measures)" (<https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20160602.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.

* Abolition of takeover defense measures

The Plan is as of the last day of this fiscal year. The Company, at a Board of Directors meeting held on May 20, 2019, resolved to abolish the Plan at the conclusion of this meeting which the effective period expires. For details, please see "News Release" dated May 20, 2019, entitled "Notice Concerning Discontinuation of Policy for Responding to Large-Scale Purchases of Company Shares (Anti-Takeover Measures)" (<https://www.nagase.co.jp/english/assetfiles/tekijikaiji/20190520-1.pdf>).

(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, 2019)

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

ASSETS	Amount
	(Millions of yen)
Current assets	365,827
Cash and time deposits	44,068
Notes and accounts receivable	230,459
Merchandise and finished goods	74,471
Work in process	1,847
Raw materials and supplies	4,683
Other current assets	10,651
Less allowance for doubtful accounts	(355)
Non-current assets	201,518
Property, plant and equipment	66,467
Buildings and structures	23,855
Machinery, equipment and vehicles	14,238
Land	20,456
Other	7,917
Intangible fixed assets	37,279
Goodwill	23,866
Technology-based assets	10,639
Other intangible fixed assets	2,772
Investments and other assets	97,771
Investments in securities	90,263
Long-term loans receivable	243
Asset for retirement benefits	109
Deferred tax assets	2,290
Other investments and other assets	4,959
Less allowance for doubtful accounts	(92)
Total assets	567,346

LIABILITIES AND NET ASSETS	Amount
LIABILITIES	(Millions of yen)
Current liabilities	201,866
Notes and accounts payable	117,256
Short-term loans	34,964
Current portion of long-term loans	949
Commercial paper	12,000
Current portion of bonds	10,000
Accrued income taxes	3,594
Accrued bonuses for employees	5,355
Accrued bonuses for directors and executive officers	287
Other current liabilities	17,457
Long-term liabilities	52,870
Bonds	10,000
Long-term loans	17,577
Deferred tax liabilities	12,075
Liability for retirement benefits	12,461
Other long-term liabilities	757
Total liabilities	254,737
NET ASSETS	
Shareholders' equity	262,892
Common stock	9,699
Capital surplus	10,647
Retained earnings	247,617
Treasury stock, at cost	(5,070)
Accumulated other comprehensive income (loss)	44,781
Net unrealized holding gain on securities	41,857
Deferred loss on hedges	(7)
Translation adjustments	3,224
Retirement benefit liability adjustments	(292)
Non-controlling interests	4,934
Total net assets	312,609
Liabilities and net assets	567,346

Consolidated Statement of Income (April 1, 2018 – March 31, 2019)

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

		Amount	
	(Millions of yen)		(Millions of yen)
Net sales			807,755
Cost of sales			702,313
Gross profit			105,441
Selling, general and administrative expenses			80,215
Operating income			25,226
Non-operating income			
Interest income	184		
Dividend income	1,809		
Rent income	261		
Equity in earnings of affiliates	538		
Other non-operating income	985		3,779
Non-operating expenses			
Interest expense	1,702		
Foreign exchange losses	228		
Other non-operating expenses	430		2,361
Ordinary income			26,643
Extraordinary gains			
Gain on sales of property, plant and equipment	282		
Gain on sales of investments in securities	4,355		
Gain on sales of shares of a subsidiary	6		
Subsidy income	205		4,849
Extraordinary losses			
Loss on sales of property, plant and equipment	78		
Loss on disposal of property, plant and equipment	275		
Loss on reduction of property, plant and equipment	205		
Loss on impairment of fixed assets	2,294		
Loss on sales of investment in securities	2		
Loss on devaluation of investments in securities	208		
Loss on discontinued operation	194		
Other extraordinary losses	28		3,289
Profit before income taxes			28,204
Income taxes - current	6,400		
Income taxes - deferred	1,395		7,796
Profit			20,408
Profit attributable to non-controlling interests			271
Profit attributable to owners of parent			20,136

Consolidated Statement of Changes in Net Assets (April 1, 2018 – March 31, 2019)

(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, 2018	9,699	11,158	232,534	(3,114)	250,278
Changes					
Cash dividends			(5,133)		(5,133)
Profit attributable to owners of parent			20,136		20,136
Purchases of treasury stock				(1,956)	(1,956)
Changes in parent's ownership interest due to transactions with non-controlling interests		(500)			(500)
Change in scope of consolidation		(11)	79		68
Other changes					
Total changes	-	(511)	15,082	(1,956)	12,614
Balance at March 31, 2019	9,699	10,647	247,617	(5,070)	262,892

(Millions of yen)

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred loss on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2018	50,773	(15)	2,917	(317)	53,358	5,168	308,804
Changes							
Cash dividends							(5,133)
Profit attributable to owners of parent							20,136
Purchases of treasury stock							(1,956)
Changes in parent's ownership interest due to transactions with non-controlling interests							(500)
Change in scope of consolidation							68
Other changes	(8,916)	7	307	25	(8,576)	(233)	(8,810)
Total changes	(8,916)	7	307	25	(8,576)	(233)	3,804
Balance at March 31, 2019	41,857	(7)	3,224	(292)	44,781	4,934	312,609

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (As of March 31, 2019)

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

ASSETS	Amount
	(Millions of yen)
Current assets	236,964
Cash and time deposits	21,572
Notes receivable - trade	5,560
Electronically recorded monetary claims - operating	13,105
Accounts receivable - trade	145,921
Merchandise	22,644
Goods in transit	2,731
Short-term loans receivable from subsidiaries and affiliates	19,778
Other current assets	6,663
Less allowance for doubtful accounts	(1,012)
Non-current assets	162,377
Property, plant and equipment	12,380
Buildings	3,787
Structures	281
Machinery and equipment	181
Tools, furniture and fixtures	976
Land	7,151
Other non-current assets	3
Intangible assets	1,375
Software	1,309
Other intangible assets	66
Investments and other assets	148,620
Investments in securities	78,128
Shares of subsidiaries and affiliates	40,445
Investments in capital of subsidiaries and affiliates	4,797
Long-term loans receivable from subsidiaries and affiliates	31,021
Claims provable in bankruptcy, claims provable in rehabilitation and other	13
Prepaid pension cost	123
Other investments and other assets	458
Less allowance for doubtful accounts	(6,367)
Deferred assets	24
Bond issuance cost	24
Total assets	399,366

LIABILITIES AND NET ASSETS	Amount
LIABILITIES	(Millions of yen)
Current liabilities	152,064
Notes payable - trade	62
Electronically recorded obligations - operating	1,265
Accounts payable - trade	87,050
Short-term loans	6,548
Current portion of long-term loans	166
Commercial papers	12,000
Current portion of bonds	10,000
Accounts payable - other	4,529
Accrued income taxes	2,034
Deposits received	25,391
Accrued bonuses for employees	1,629
Other current liabilities	1,385
Long-term liabilities	47,334
Bonds	10,000
Long-term loans	15,727
Deferred tax liabilities	15,753
Provision for retirement benefits	5,673
Other long-term liabilities	180
Total liabilities	199,399
NET ASSETS	
Shareholders' equity	158,631
Common stock	9,699
Capital surplus	9,634
Legal capital surplus	9,634
Other capital surplus	0
Retained earnings	144,368
Legal retained earnings	2,424
Other retained earnings	141,943
Reserve for special depreciation	0
Reserve for reduction entry	2,466
General reserve	95,510
Retained earnings brought forward	43,965
Treasury stock, at cost	(5,070)
Valuation and translation adjustments	41,335
Net unrealized holding gain on securities	41,329
Deferred loss on hedges	5
Total net assets	199,967
Liabilities and net assets	399,366

Non-Consolidated Statements of Income (April 1, 2018 – March 31, 2019)

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

	Amount	
	(Millions of yen)	(Millions of yen)
Net sales		459,124
Cost of sales		427,403
Gross profit		31,721
Selling, general and administrative expenses		27,973
Operating income		3,747
Non-operating income		
Interest income	600	
Dividend income	8,948	
Rent income	677	
Foreign exchange gains	352	
Other non-operating income	742	11,320
Non-operating expenses		
Interest expenses	601	
Amortization of bond issuance cost	14	
Cost of rent revenue	297	
Other non-operating expenses	206	1,119
Ordinary income		13,948
Extraordinary gains		
Gain on sales of property, plant and equipment	85	
Gain on sales of investments in securities	3,837	
Gain on sales of shares of a subsidiary	6	
Reversal of allowance for doubtful accounts for subsidiaries	2,096	6,025
Extraordinary losses		
Loss on sales of property, plant and equipment	11	
Loss on disposal of property, plant and equipment	61	
Loss on sales of investment in securities	2	
Loss on devaluation of investments in securities	201	
Loss on valuation of shares of a subsidiary	1,420	
Provision for loss on guarantees	28	
Loss on impairment of fixed assets	35	1,760
Profit before income taxes		18,212
Income taxes - current	2,707	
Income taxes - deferred	627	3,334
Profit		14,878

Non-Consolidated Statement of Changes in Net Assets (April 1, 2018 – March 31, 2019)

 (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, 2018	9,699	9,634	0	9,634	2,424	1	2,479	95,510	34,207	134,623
Changes										
Reversal of reserve for special depreciation						(0)			0	-
Provision of reserve for reduction entry							0		(0)	-
Reversal of reserve for reduction entry							(13)		13	-
Cash dividends									(5,133)	(5,133)
Profit									14,878	14,878
Purchases of treasury stock										
Disposition of treasury stock										
Other changes										
Total changes	-	-	-	-	-	(0)	(13)	-	9,758	9,744
Balance, at March 31, 2019	9,699	9,634	0	9,634	2,424	0	2,466	95,510	43,965	144,368

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Total valuation and translation adjustments	
Balance, at April 1, 2018	(3,114)	150,844	49,668	(19)	49,649	200,493
Changes						
Reversal of reserve for special depreciation		-				-
Provision of reserve for reduction entry		-				-
Reversal of reserve for reduction entry		-				-
Cash dividends		(5,133)				(5,133)
Profit		14,878				14,878
Purchases of treasury stock	(1,956)	(1,956)				(1,956)
Disposition of treasury stock						
Other changes			(8,338)	24	(8,313)	(8,313)
Total changes	(1,956)	7,787	(8,338)	24	(8,313)	(525)
Balance, at March 31, 2019	(5,070)	158,631	41,329	5	41,335	199,967

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