

Securities identification code: 8012

June 5, 2020

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 105TH ANNUAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 105th Annual Shareholders' Meeting of NAGASE & CO., LTD. (the "Company"), which will be held as described below.

Considering the need to prevent the spread of novel coronavirus disease ("COVID-19"), we sincerely request you to refrain from attending this meeting in person as much as possible and to exercise your voting rights in advance by postal mail or via the Internet, etc.

We request that you exercise your voting rights on or before 5:15 p.m. on Friday, June 19, 2020 after considering the following Reference Documents for the Annual Shareholders' Meeting.

Meeting Details

- 1. Date and time:** Monday, June 22, 2020 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 105th Term (from April 1, 2019 to March 31, 2020), 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 105th Term (from April 1, 2019 to March 31, 2020)

Items to be resolved:

- Proposal 1:** Appropriation of surplus
- Proposal 2:** Election of eight (8) 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 Directors

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

22 yen per common stock of the Company

Total amount of dividends: 2,728,254,980 yen

(3) Effective date of distribution of dividends of surplus

June 23, 2020

Proposal 2: Election of eight (8) Directors

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

Accordingly, in order to increase the independence, objectivity and diversity of the Board of Directors and further strengthen the management supervisory function, the proposal is for the election of eight Directors (including three outside Directors), increasing the number of outside Directors by one.


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, 2020)	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	18 out of 18 (100%)	31 years	0
2	Reiji Nagase [Reelection] [Inside Director]	Director and Vice Chairman	18 out of 18 (100%)	25 years	0
3	Kenji Asakura [Reelection] [Inside Director]	Representative Director, President and CEO	18 out of 18 (100%)	7 years	0
4	Ichiro Wakabayashi [Reelection] [Inside Director]	Representative Director and Managing Executive Officer, in charge of Corporate Sales & Marketing	18 out of 18 (100%)	5 years	0
5	Masaya Ikemoto [Reelection] [Inside Director]	Director and Executive Officer, in charge of Corporate Administration and affiliates	18 out of 18 (100%)	2 year	0
6	Nobumasa Kemori [Reelection] [Outside Director] [Independent officer]	Outside Director	18 out of 18 (100%)	4 years	2
7	Takahiko Ijichi [New election] [Outside Director] [Independent officer]	(New election)	-	-	0
8	Ritsuko Nonomiya [New election] [Outside Director] [Independent officer]	(New election)	-	-	2

Notes:


1. The number of the Board of Directors meetings does not include resolutions made in writing.
2. The number of other listed companies where concurrent positions are held refers to the number of listed companies other than the Company, where the candidate holds a directorial position.


No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company		Number of the Company's shares held
1	<div>[Inside Director] [Reelection]</div> <div></div> <div>Hiroshi Nagase (July 18, 1949)</div> <div>Length of service: 31 years (as of conclusion of this meeting)</div> <div>Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)</div>	<div>April 1977 Joined the Company</div> <div>April 1988 General Manager of Plastics Dept. 2</div> <div>June 1989 Director</div> <div>June 1995 Managing Director</div> <div>June 1997 Representative Director and Senior Managing Director</div> <div>June 1999 Representative Director and President</div> <div>June 2001 Representative Director and President and CEO</div> <div>April 2015 Representative Director and Chairman (present position)</div> <div>[Significant concurrent positions outside the Company]</div> <div>None</div>	1,354,361	
<div>Reason for nomination as candidate for Director</div> <div>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.</div>				


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>[Inside Director] [Reelection]</p>  <p>Reiji Nagase (June 24, 1955)</p> <p>Length of service: 25 years (as of conclusion of this meeting)</p> <p>Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)</p>	<p>April 1978 Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>June 1994 Retired</p> <p>July 1994 Joined the Company</p> <p>June 1995 Director, General Manager of Chemicals Management Office, Plastics and Industrial Materials Management Office, and Management Office and Equipment System Office</p> <p>June 1999 Managing Director</p> <p>June 2001 Managing Director and Executive Officer</p> <p>April 2003 Managing Director and Managing Executive Officer</p> <p>June 2003 Director and Managing Executive Officer</p> <p>April 2009 Director and Senior Managing Executive Officer</p> <p>June 2010 Representative Director and Senior Managing Executive Officer</p> <p>April 2015 Director and Vice Chairman (present position)</p> <p>[Significant concurrent positions outside the Company]</p> <p>Representative Director of Nagase Science and Technology Foundation</p> <p>Representative Director of Hayashibara Museum of Art</p>	91,731
	<p>Reason for nomination as candidate for Director</p> <p>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>[Inside Director] [Reelection]</p>  <p>Kenji Asakura (December 11, 1955)</p> <p>Length of service: Seven years (as of conclusion of this meeting)</p> <p>Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)</p>	<p>April 1978 Joined the Company</p> <p>October 2006 General Manager of Automotive Solutions Dept.</p> <p>April 2009 Executive Officer and General Manager of Automotive Solutions Dept.</p> <p>June 2013 Director and Executive Officer</p> <p>April 2015 Representative Director, President and CEO (present position)</p> <p>[Significant concurrent positions outside the Company] None</p>	19,827
<p>Reason for nomination as candidate for Director</p> <p>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 striven to improve 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	[Inside Director] [Reelection]  Ichiro Wakabayashi (October 25, 1957) Length of service: Five years (as of conclusion of this meeting) Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)	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)	[Significant concurrent positions outside the Company] None	11,493
	Reason for nomination as candidate for Director 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.			

No.	Name (Date of birth)	Career summary, position, responsibilities and significant concurrent positions outside the Company	Number of the Company's shares held
5	[Inside Director] [Reelection]  Masaya Ikemoto (September 20, 1961) Length of service: Two years (as of conclusion of this meeting) Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)	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 2020 Director and Executive Officer, in charge of Corporate Administration and affiliates (present position) [Significant concurrent positions outside the Company] None	7,419
	Reason for nomination as candidate for Director Masaya Ikemoto has worked mainly in the plastics, electronics, automotive solutions 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.		

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>[Outside Director] [Reelection] [Independent officer]</p>  <p>Nobumasa Kemori (April 12, 1951)</p> <p>Length of service: Four years (as of conclusion of this meeting)</p> <p>Attendance of Board of Directors meetings: 18 out of 18 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]</p> <p>Outside Director of JFE Holdings, Inc.</p> <p>Outside Director of Sumitomo Realty & Development Co., Ltd.</p>	2,598
<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. However, the net sales of the Company to Sumitomo Metal Mining Co., Ltd. in the fiscal year ended March 2020 were below 0.1% of the net sales of the Company, and the net purchases of the Company from Sumitomo Metal Mining Co., Ltd. were below 0.1% of the sum of cost of sales and selling, general and administrative expenses of the Company, and are not significant enough 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. However, the net sales of the Company to JFE Holdings, Inc. in the fiscal year ended March 2020 were below 0.1% of the net sales of the Company, and the net purchases of the Company from JFE Holdings, Inc. were below 0.1% of the sum of cost of sales and selling, general and administrative expenses of the Company, and are not significant enough to give rise to a special relationship. In addition, he is Outside Director of Sumitomo Realty & Development Co., Ltd., 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>			

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] [New election] [Independent officer]</p>  <p>Takahiko Ijichi (July 15, 1952)</p>	<p>April 1976 Joined Toyota Motor Co., Ltd. (Currently Toyota Motor Corporation)</p> <p>June 2004 Managing Officer of Toyota Motor Corporation</p> <p>June 2008 Senior Managing Director of Toyota Motor Corporation</p> <p>June 2011 Director and Senior Managing Officer of Toyota Motor Corporation</p> <p>June 2013 Advisor of Toyota Motor Corporation, and President of Towa Real Estate Co., Ltd.</p> <p>June 2015 Advisor of Towa Real Estate Co., Ltd., and Executive Vice President and a member of the Board of Directors of Toyota Motor Corporation</p> <p>June 2016 Retired Advisor of Towa Real Estate Co., Ltd.</p> <p>June 2017 Senior Adviser of Toyota Motor Corporation, and Representative Director, Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.</p> <p>June 2018 Retired Adviser of Toyota Motor Corporation</p> <p>June 2019 Retired Representative Director, Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd.</p> <p>[Significant concurrent positions outside the Company] Outside Director of COMANY INC. (scheduled to assume the position in June 2020)</p>	0
<p>Reason for nomination as candidate for outside Director</p> <p>Takahiko Ijichi has been involved in management of Toyota Motor Corporation 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 including manufacturing activities performed by the Company in both Japan and overseas and is expected to enhance the Company's corporate governance. Accordingly, we request that Mr. Ijichi be elected as outside 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
	<p>Special notes concerning candidate for outside Director</p> <p>Mr. Ijichi does not have any personal relationships, capital relationships, business relationships, or other interests with the Company. Mr. Ijichi is former Executive Vice President and a member of the Board of Directors of Toyota Motor Corporation and there are sales transactions between the Company and Toyota Motor Corporation. However, the net sales of the Company to Toyota Motor Corporation in the fiscal year ended March 2020 were below 0.4% of the net sales of the Company, and the net purchases of the Company from Toyota Motor Corporation were below 0.1% of the sum of cost of sales and selling, general and administrative expenses of the Company, and are not significant enough to give rise to a special relationship. In addition, he is former President of Towa Real Estate Co., Ltd. and former Representative Director, Chairman of the Board of Aioi Nissay Dowa Insurance Co., Ltd., and is scheduled to assume the position of Outside Director of COMANY INC. in June 2020, but the Company does not have any business relationships with those three companies. The Company believes that there is no likelihood of a conflict of interests between Mr. Ijichi and general shareholders arising from his status as outside 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
8	<p>[Outside Director] [New election] [Independent officer]</p>  <p>Ritsuko Nonomiya (November 28, 1961)</p>	<p>September 1987 Joined Peat, Marwick, Mitchell & Company (currently KPMG LLP)</p> <p>April 1997 Partner of KPMG Corporate Finance K.K.</p> <p>November 2000 Joined UBS Warburg Japan (currently UBS Securities Japan Co., Ltd.)</p> <p>January 2005 M&A Advisor, Managing Director of UBS Warburg Japan</p> <p>July 2008 Senior Vice President and Business Development Leader of GE Capital Asia Pacific Ltd.</p> <p>April 2013 Senior Executive Officer and Business Development Leader of GE Capital Japan, GE Japan Inc.</p> <p>December 2013 Managing Director of GCA Savvian Corporation (currently GCA Corporation) (present position)</p> <p>January 2015 Executive Officer (Japan Region) of GCA Savvian Corporation (currently GCA Corporation) (present position)</p> <p>March 2017 Director of GCA Corporation (present position)</p> <p>[Significant concurrent positions outside the Company]</p> <p>Director, GCA Corporation</p> <p>Director, GCA Advisors Corporation</p> <p>External Audit & Supervisory Board Member, Shiseido Company, Limited</p>	0
<p>Reason for nomination as candidate for outside Director</p> <p>Ritsuko Nonomiya has accumulated business experience, including accounting, in the KPMG Group and has engaged in M&A and business development in the UBS Group and the GE Group. Thus, she has advanced knowledge mainly in the fields of finance and accounting and also possesses sufficient knowledge and experience regarding corporate management. She will use this knowledge and experience to make proposals concerning the Company's overall management and is expected to enhance the Company's corporate governance. Accordingly, we request that Ms. Nonomiya be elected as outside Director.</p>			
<p>Special notes concerning candidate for outside Director</p> <p>Ms. Nonomiya does not have any personal relationships, capital relationships, business relationships, or other interests with the Company. Ms. Nonomiya is Director of GCA Corporation and Director of GCA Advisors Corporation, and there are sales transactions between the Company and GCA Corporation and GCA Advisors Corporation. However, the amount of those transactions between the Company and those two companies in the fiscal year ended March 2020 was below 0.1% of the sum of cost of sales and selling, general and administrative expenses of the Company, and is not significant enough to give rise to a special relationship. Furthermore, she is External Audit & Supervisory Board Member of Shiseido Company, Limited, and there are sales transactions between the Company and Shiseido Company, Limited. However, the amount of those transactions between the Company and Shiseido Company, Limited in the fiscal year ended March 2020 was below 0.4% of net sales of the Company, and is not significant enough to give rise to a special relationship. The Company believes that there is no likelihood of a conflict of interests between Ms. Nonomiya and general shareholders arising from her status as outside Director.</p>			

Notes:

1. Nobumasa Kemori is a candidate for outside Director and is an independent officer pursuant to the regulations of financial instruments exchanges.
2. Takahiko Ijichi and Ritsuko Nonomiya are candidates for outside Director and the Company plans to file notice as an independent officers pursuant to the regulations of financial instruments exchanges.
3. 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.
4. Agreement limiting liability of outside Director


Pursuant to the Articles of Incorporation, the Company has entered into an agreement with outside Director Nobumasa Kemori, limiting liability to the Company for damage to a certain degree. If this proposal is approved, the Company plans to renew the agreement with Mr. Kemori under the same terms. If Takahiko Ijichi and Ritsuko Nonomiya, candidates for new outside Directors, are elected, the Company plans to enter into agreements with each of them 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 or her duties, as long as the outside Director performed his or her 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.
5. The number of Board of Directors meetings does not include resolutions made in writing.
6. 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 Nobuyuki Shirafuji, the Audit & Supervisory Board Member, will expire at the conclusion of this meeting. 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>[Outside Audit & Supervisory Board Member] [Reelection]</p> <p>[Independent officer]</p>  <p>Nobuyuki Shirafuji (April 3, 1961)</p> <p>Length of service: Four years (as of conclusion of this meeting)</p> <p>Attendance of Board of Directors meetings: 18 out of 18 Board of Directors meetings (100%)</p> <p>Attendance of Board of Audit & Supervisory meetings: 16 out of 16 Board of Audit & Supervisory meetings (100%)</p>	<p>April 1984 Joined the Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)</p> <p>March 2003 General Manager of the London Group of Global Corporate Investment Dept. of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Ltd.</p> <p>April 2006 General Manager of Credit Dept., Europe, Middle East and Africa Division (London) of Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Banking Corporation Europe Ltd.</p> <p>May 2013 General Manager of Credit Review Dept. of Sumitomo Mitsui Banking Corporation</p> <p>April 2016 Retired Sumitomo Mitsui Banking Corporation</p> <p>June 2016 Audit & Supervisory Board Member of the Company (present position)</p> <p>[Significant concurrent positions outside the Company]</p> <p>None</p>	1,211
<p>Reason for nomination as candidate for outside Audit & Supervisory Board Member</p> <p>Nobuyuki Shirafuji does not have direct managerial experience, but he possesses wide-ranging knowledge based on his many years of overseas experience in financial institutions. He also has many years of experience in credit and audit divisions and possesses considerable knowledge regarding finance and accounting. He has fully fulfilled his duties as an Audit & Supervisory Board Member of the Company for the past four years, and consequently, we determined that he will properly perform his duties as outside Audit & Supervisory Board Member, and we request his election.</p>		
<p>Special notes concerning candidates for outside Audit & Supervisory Board Member</p> <p>Mr. Shirafuji does not have any personal relationships, capital relationships, transactional relationships, or other interests with the Company other than owning the Company's shares.</p> <p>Mr. Shirafuji worked for Sumitomo Mitsui Banking Corporation, one of the Company's banks, but no longer works for the bank and never took charge of the Company during his years of service in the bank. As of the end of March 2020, the Group had an outstanding loan from the bank for 24,013 million yen, but shareholders' equity ratio of the Company is high, its finances are sound, and its degree of dependence on loans from financial institutions is low, and accordingly, a determination was made that the loan is not significant enough to give rise to a special relationship. The Company believes that there is no likelihood of a conflict of interests between Mr. Shirafuji and general shareholders arising from his status as an outside Audit & Supervisory Board Member.</p>		

Notes:

1. Nobuyuki Shirafuji is a candidate for outside Audit & Supervisory Board Member and is an independent officer pursuant to the regulations of financial instruments exchanges.

2. Agreement limiting liability of outside Audit & Supervisory Board Member

The Company has entered into an agreement with outside Audit & Supervisory Board Member Nobuyuki Shirafuji, limiting liability to the Company for damage to a certain degree. If this proposal is approved, the Company plans to renew the agreement with Mr. Shirafuji under the same terms. A summary of the agreement is as follows:

If the Company incurs damage as a result of the failure of the outside Audit & Supervisory Board Member to perform his duties, as long as the outside Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the outside 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.

3. Shares of the Company held by Mr. Shirafuji include shares nominally held by NAGASE & CO., LTD. Officer's Shareholding 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
[Outside Audit & Supervisory Board Member] [Reelection] [Independent officer] Hidekado Miyaji (February 11, 1952)	April 1975 Official at Income Tax Division of National Tax Agency	0
	July 1982 Superintendent of Mikuni Tax Office, Kanazawa Regional Taxation Bureau	
	July 1987 Director of Administrative Services Bureau, Iwate Prefectural Police Headquarters	
	July 1991 Consul of the Consulate General of Japan in New York	
	July 1996 Director (Mutual Agreement Procedures), National Tax Agency	
	July 1999 Director of Second Large Enterprise Examination Department, Tokyo Regional Taxation Bureau	
	July 2002 Director, Research Department, National Tax College	
	August 2003 Professor, Department of Social-Human Environmentology, Daito Bunka University (present position)	
	[Significant concurrent positions outside the Company] None	
Reason for nomination as candidate for substitute outside Audit & Supervisory Board Member 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 have determined that he will properly perform his duties as outside Audit & Supervisory Board Member, and we request his election.		
Special notes concerning candidate for substitute outside Audit & Supervisory Board Member There is no special interest between the candidate and the Company.		

Notes:

- Hidekado Miyaji is a candidate for substitute outside Audit & Supervisory Board Member, and if he is elected as outside Audit & Supervisory Board Member, the Company plans to file notice as an independent officer pursuant to the regulations of financial instruments exchanges.
- Agreement limiting liability of a candidate for substitute outside Audit & Supervisory Board Member
 If Hidekado Miyaji, a candidate for substitute outside Audit & Supervisory Board Member, is elected as outside 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 agreement is as follows:

 If the Company incurs damage as a result of the failure of the outside Audit & Supervisory Board Member to perform his duties, as long as the outside Audit & Supervisory Board Member performed his duties in good faith and without gross negligence, the liability for damage that the outside 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 Directors

Compensation paid to the Company's Directors in the amount of no more than 450 million yen annually (including no more than 30 million yen annually for outside Directors) was approved by the 100th Annual Shareholders' Meeting held on June 24, 2015. As stated in Proposal 2, the increase in the number of outside Directors is proposed this time in order to further strengthen the Company's corporate governance. In addition, in consideration of the increasing responsibilities and expected roles of outside Directors and other related factors, we are requesting approval to revise the compensation paid to outside Directors, which constitutes compensation paid to Directors, to an amount of no more than 40 million yen annually. There will be no change to the limit of the compensation paid to all Company's Directors in the amount of no more than current 450 million yen annually.

Moreover, the amount of compensation paid to the Company's Directors does not include employee salaries paid to Directors who also serve as employees, as before.

There are currently seven Directors (of which two are outside Directors). If Proposal 2 is approved as originally proposed, there will be eight Directors (of which three are outside Directors) who are subject to this proposal.

Business Report (April 1, 2019 to March 31, 2020)**1. Nagase Group business conditions****(1) Development and results of business operations**

During the current fiscal year, the Japanese economy experienced a slowdown in manufacturing and capital investment due to the effect of the sluggish global market, though employment situation continued to improve. Despite a push from strong corporate earnings in the United States, the slowdown in the Chinese economy due to an extended period of U.S.–China trade frictions, as well as the global spread of COVID-19 have led to a rapid deterioration of the global economy in the fourth quarter.

In this environment, the Company recorded domestic sales of 402.39 billion yen (-2.5% year on year) for the current fiscal year. Overseas sales amounted to 397.16 billion yen (+0.5%). In total, the Company recorded 799.55 billion yen (-1.0%) in net sales.

The Company recorded gross profit of 104.90 billion yen (-0.5%) in conjunction with lower sales, and operating income of 19.16 billion yen (-24.0%). Ordinary income amounted to 19.08 billion yen (-28.4%), while net income attributable to owners of parent amounted to 15.14 billion yen (-24.8%).

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Year on year	
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Net sales	807,755	799,559	(8,196)	(1.0%)
Operating income	25,226	19,167	(6,058)	(24.0%)
Ordinary income	26,643	19,083	(7,560)	(28.4%)
Net income attributable to owners of parent	20,136	15,144	(4,992)	(24.8%)

Overview by Segment

<Functional Materials>

Net sales

169.3 billion yen (down 5.7% from the previous fiscal year)

The Functional Materials segment recorded lower sales in both domestic and overseas markets. The Performance Chemicals business recorded lower sales as a whole due to lower sales in coating raw materials and urethane materials, as a result of lower automotive production in Japan and overseas.

The Specialty Chemicals business recorded lower sales overall, from decreased sales of electronics chemicals for the semiconductor and other related electronics industries in Japan and overseas, and of industrial oil solutions.

As a result, sales for the segment amounted to 169.31 billion yen, which was a 10.3 billion yen (-5.7%) decrease compared to the previous fiscal year. Operating income fell 130 million yen (-2.4%) from the previous fiscal year to 5.36 billion yen for the fiscal year.

<Advanced Materials & Processing>

Net sales

267.0 billion yen (down 3.0% from the previous fiscal year)

The Advanced Materials & Processing segment recorded slightly lower net sales in the domestic market and lower net sales in the overseas market.

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

The Polymer Global Account business mainly sells plastics to the office equipment, appliance, and video game device markets. Sales in these businesses were lower overall, caused by decreases in net sales in Japan, Greater China, and ASEAN.

As a result, sales for the segment amounted to 267.07 billion yen, which was an 8.12 billion yen (-3.0%) decrease compared to the previous fiscal year. Operating income was 8.52 billion yen, an increase of 430 million yen (+5.3%) year on year, mainly due to improved profitability among the Company's manufacturing subsidiaries in Japan.

<Electronics>

Net sales

115.1 billion yen (down 5.9% from the previous fiscal year)

The Electronics segment recorded lower net sales overall driven by lower sales of precision processing-related, equipment-related, and display-related materials used in connection with intermediate processing in semiconductors. This was despite increased sales of photolithography materials, and higher sales of formulated epoxy resins for electronic components used in mobile devices and for the semiconductor industry.

As a result, sales for the segment amounted to 115.12 billion yen, which was a 7.19 billion yen (-5.9%) decrease compared to the previous fiscal year. Operating income fell 2.0 billion yen (-27.1%) from the previous fiscal year to 5.39 billion yen for the fiscal year, mainly due to weaker profitability among part of the Company's overseas manufacturing subsidiaries.

< Mobility & Energy >

Net sales

126.0 billion yen (down 9.5% from the previous fiscal year)

The Mobility Solution business recorded lower sales both in Japan and overseas, due to slightly lower sales in car electronics-related products in Japan as well as lower sales in the resins business in Japan and overseas.

As a result, sales for the segment amounted to 126.0 billion yen, which was a 13.23 billion yen (-9.5%) decrease compared to the prior fiscal year. Operating income fell 1.16 billion yen (-38.1%) from the previous fiscal year to 1.89 billion yen for the fiscal year.

(Note) From the current fiscal year, the name of the former Automotive & Energy Segment has been changed to the Mobility & Energy Segment.

<Life & Healthcare>

Net sales

121.5 billion yen (up 33.9% from the previous fiscal year)

Despite slightly lower domestic sales, the Life & Healthcare segment recorded higher sales as a whole due to materially higher overseas sales.

Sales of TREHA[®] and other products in the food ingredients field in the Life & Healthcare Products business were slightly decreased in Japan while overseas sales increased. Furthermore, due to the addition of sales from the Prinova Group, newly-acquired by the Company in the consolidated second quarter of the fiscal year, overseas sales materially increased. Sales of AA2G[®] to customers in the skin care and toiletries sectors were lower in Japan. However, overseas sales were higher due to favorable sales primarily in Europe. In the medical and pharmaceutical field, though sales in the pharmaceutical business decreased, sales of pharmaceutical raw materials and intermediates as well as medical materials increased, driving increased sales for the business as a whole.

The Beauty Care Products business, which includes sales of cosmetics and health foods, recorded lower sales due to weak performance across all product categories.

As a result, sales for the segment amounted to 121.54 billion yen, which was a 30.75 billion yen (+33.9%) increase compared to the previous fiscal year. Despite that increase, the Prinova Group's contribution to profits for the fiscal year were limited due to the incurrence of onetime expenses related to business combinations. Operating income decreased 670 million yen (-14.5%) from the previous fiscal year to 3.97 billion yen, as a result of weaker profitability among the Company's manufacturing subsidiaries in Japan.

<Other>

No special matters to disclose.

(2) Status of capital investment, etc.

During the current fiscal year, the Group made capital investment of 12.82 billion yen (including intangible fixed assets), particularly including capital investment of 3.25 billion yen 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	436
Advanced Materials & Processing	1,845
Electronics	3,235
Mobility & Energy	241
Life & Healthcare	6,035
Other, Company-wide (common)	1,034
Total	12,829

(3) Status of capital procurement

During the current fiscal year, short-term loans decreased by about 4.37 billion yen mainly due to a decrease in working capital of existing companies in both Japan and overseas. In addition, the Group repaid bonds amounting to 10 billion yen using cash flows from operating activities as the source of funds, and procured 25 billion yen in long-term loans and 20 billion yen by issuing bonds as the source of funds for acquiring U.S. Prinova Group, LLC. Moreover, the balance of issued commercial papers increased by 18 billion yen because of the retention of a greater amount of funds on hand through issuing commercial papers to hedge the liquidity risk due to COVID-19. As a result of the above and effects from fluctuations in foreign currency exchange rates and other factors, the Group's interest-bearing liabilities increased by 50.35 billion yen.

Domestic Group companies, particularly wholly owned subsidiaries, in principle do not procure capital from outside the Group, and the Company performs centralized capital management. Also, the Group cash management system has been introduced in the U.S., Singapore, Hong Kong, Mexico 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

Nagase Holdings America Corporation, a wholly-owned subsidiary of the Company, acquired 93.3% of the equity interests of Prinova Group, LLC on August 6, 2019, and made it a consolidated subsidiary of the Company.

(8) Issues to be addressed

* Effects of COVID-19 and the Group's policy

The Group is aware that its important issues are responding to changes in customers, markets and societies that are expected to arise following the halt to the spread of COVID-19 and creating new value to be offered.

Considering the impact of COVID-19 on supply chains and globalization, the Group is required to review its business model. For example, in terms of promoting digital transformation (“DX”) ^(Note), we will push forward with management strategies that respond to changes in the external environment by adopting cutting-edge technologies and taking other innovative approaches.

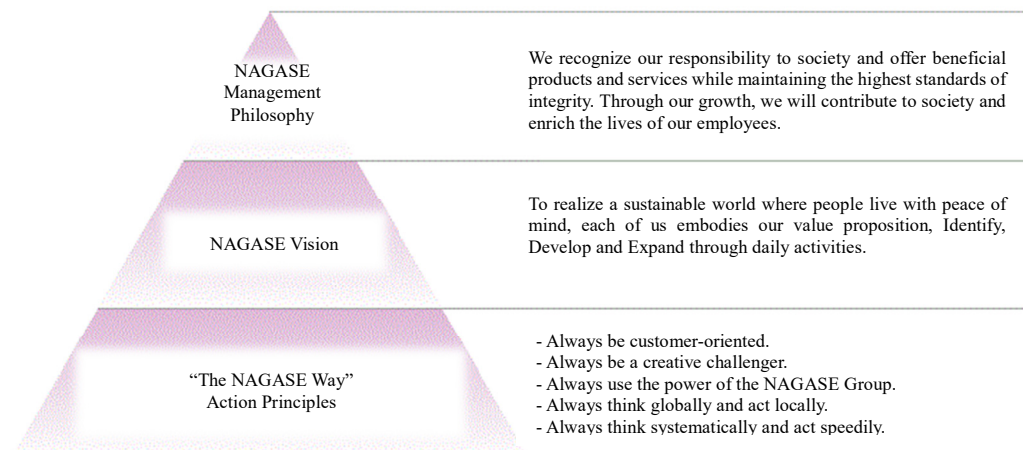
Meanwhile, there is no change in the Group's basic principle, vision and long-term management policies. The **ACE-2020** mid-term management plan (hereinafter, “**ACE-2020**”), which will head into the final year in fiscal 2020, is based on the implementation of each of the measures under the plan, but we will analyze the effects of COVID-19 and take new measures as appropriate.

(Note) The use of digital technologies and data to transform products and services, business models, operational processes, organizations, and corporate culture, etc. and to establish a competitive advantage, in response to the needs of customers and societies.

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, through allocating management resources to focused business and through 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 company first and foremost. We now consider the trading company 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 and changes in **ACE-2020**:

	Targets	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017
Consolidated net sales	1.0 trillion yen or more	799.5 billion yen	807.7 billion yen	783.9 billion yen	722.3 billion yen
Consolidated operating income	30.0 billion yen or more	19.1 billion yen	25.2 billion yen	24.1 billion yen	15.0 billion yen
ROE	6.0% or more	4.9%	6.6%	5.8%	3.7%

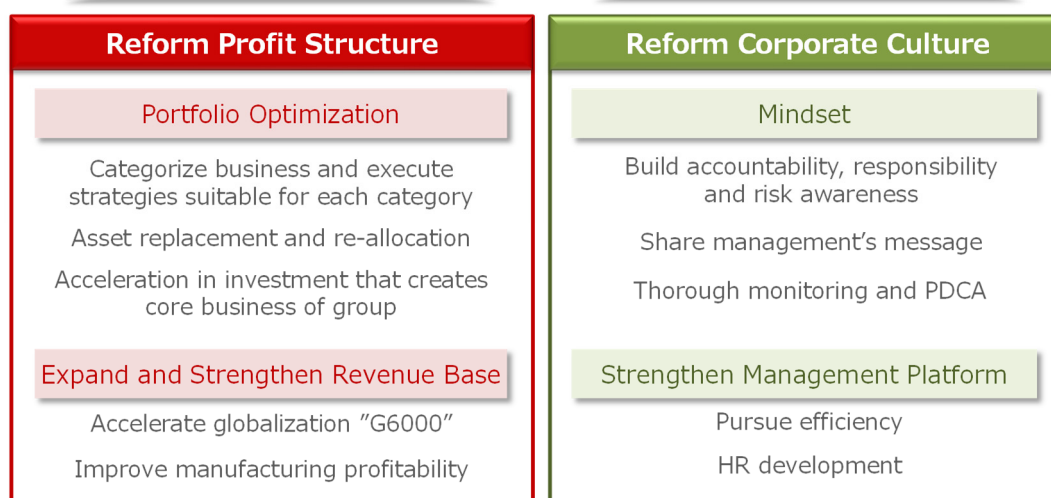
(4) Framework and Measures of Mid-Term Management Plan

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

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

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

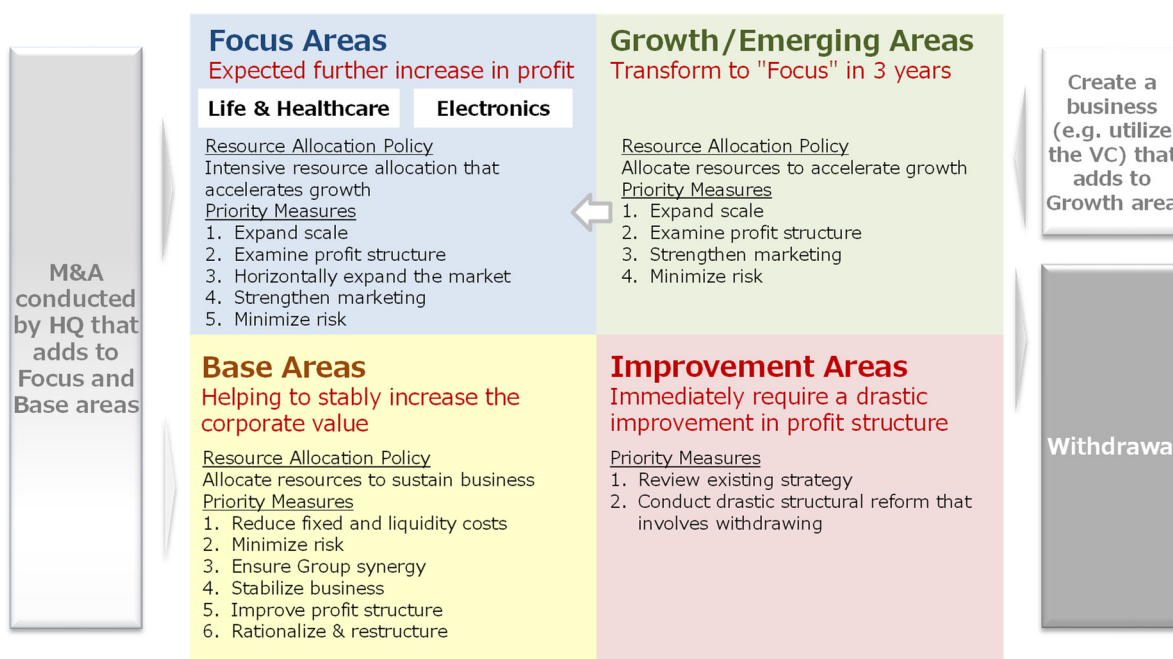
Leverage Group functions to achieve the quantitative and qualitative targets.



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.



During this fiscal year, in the “Focus” area, Life & Healthcare, we made Prinova Group, LLC (hereinafter, “Prinova”) in the U.S. a subsidiary. Prinova operates a vertically integrated business through value chains from sale of food ingredients, manufacturing of formulation products and contract manufacturing mainly in North America and Europe to create synergies with existing businesses of the NAGASE Group. Moreover, we established the “NAGASE Food Ingredients Food Development Center (Xiamen),” the application development lab in China (Xiamen) with the aim of expanding the overseas business of Hayashibara Co., Ltd. Furthermore, the Company newly established the Food Ingredients Department on April 1, 2020 with the intent to strengthen food ingredients, food additives and functional ingredients fields.

In another “Focus” area, Electronics, we allocated management resources in the next-generation communications market (5G market), which has growth potential. A base leading to the next and subsequent years has been constructed in elemental technologies possessed by the Nagase Group and functional materials enabling effective network use and technological solutions sought by the high-speed communications generation.

Within the “Growth/Emerging” area, the materials informatics (“MI”) ^{(Note) 1} project, which has been jointly developed with IBM since fiscal 2016, is progressing smoothly, and we expect to start providing services inside and outside the Nagase Group in the next fiscal year. In addition, we opened a base in the U.S. (Philadelphia) to secure highly specialized human resources for the development of a digital marketing platform ^{(Note) 2}. On April 1, 2020, we also established the Global Marketing Office with the aim of promoting the NAGASE Group’s DX, including the development of MI projects and digital marketing.

The research of the rare amino acid “ergothioneine,” which has been conducted by the Nagase R&D Center was selected as a project for the 2019 Grant of Subsidy to Industrial Technology

Development Expense under a Specific Theme of the New Energy and Industrial Technology Development Organization (NEDO). We continue to conduct research to establish an eco-friendly bio production process from chemical synthesis in the production of ergothioneine.

Concerning the “Base” area, we conducted research and analysis of risk chemicals with the intention of eliminating supply concerns caused by stricter environmental regulations in China and trade friction, and shared information in the value chain. Regarding the sales of plastics in Japan and overseas, the sales volume remained at the same level recorded in the previous year mainly owing to highly functional resins, despite the declining market, thereby demonstrating that we fulfilled our trading company function in the “Base” area.

Moreover, we made Aience Inc. an affiliated company to expand the businesses of wastewater treatment, circulating water and exhaust gas treatment over global markets. Improving the quality of water supply and sanitation is one of the global issues for realizing a sustainable society, and we will continue to expand our operations to the environmental contribution business by utilizing our networks in the “Base” Area.

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

Notes

1. A methodology of information science that helps perform efficient searches for new and alternative materials using data and artificial intelligence
2. A methodology of efficient marketing and its mechanisms enabled by analyzing data on customers' browsing and purchasing history with artificial intelligence, etc.

	[Portfolio Optimization] Specific Measures Implemented in Fiscal 2019
Focus Areas	<ul style="list-style-type: none"> - Conversion of U.S. Prinova Group, LLC to a Subsidiary - Establishment of application development lab L'Plaza in China (Xiamen) - Newly establishment of the Food Ingredients Department - Construction of the base in the next-generation communications market (5G market)
Growth/Emerging Areas	<ul style="list-style-type: none"> - Development of MI - Undertaking of the development of a digital marketing platform - Establishment of the Global Marketing Office for DX promotion - Rare amino acid “ergothioneine” selected as a NEDO grant project
Base Areas	<ul style="list-style-type: none"> - Distribution of information on risk chemicals - Sales expansion of highly functional resins - Promotion of environmental contribution business by making Aience Inc. an affiliate company
Improvement Areas	<ul style="list-style-type: none"> - Decision to withdraw from some unprofitable businesses

Focused Measures a)-2: Expand and Strengthen Revenue Base

Under **ACE-2020**, our trading and manufacturing business sectors set individual key performance indicators (“KPIs”) and implement measures to improve each function. Thus the sectors strive to create new businesses by leveraging their respective functions.

Our trading business sector accelerate further 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, we made Interfacial Consultants LLC a subsidiary of the Company in the Americas, which is the focus area, mainly for the purpose of creating a high added-value business. Interfacial Consultants LLC possesses innovative technology platforms and excellent product development capabilities in the field of resins and other related products.

In the manufacturing business sector, we launched the Group Manufacturing Company Coordinating Committee, by upgrading meetings for Group managers who are responsible for the manufacturing business, which have continued since the previous fiscal year. The Committee will establish a standard manufacturing management system for the entire NAGASE Group and promote activities to improve non-financial items such as safety, quality and environmental measures.

[Expand and Strengthen Revenue Base] Specific Measures Implemented in Fiscal 2019	
Trading business	- Making Interfacial Consultants LLC a subsidiary of the Company in the Americas, which is the focus area
Manufacturing business	- Launch of Group Manufacturing Company Coordinating Committee

b) Reform Corporate Culture

Focused Measures b)-1: Build Stronger Mindset

Under **ACE-2020**, we are promoting 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, and Thorough Monitoring and PDCA.

During this fiscal year, as a “Thorough Monitoring and PDCA” measure, we assessed the probability of and identified issues in each measure, as the profit contribution of new initiatives did not reach the expected level in the Focus and Growth/Emerging Areas.

[Mindset] Specific Measures Implemented in Fiscal 2019
- Assessment of probability and identification of issues in each initiative under ACE-2020

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 nurture personnel who can enable increased competitiveness and sustainable development of the Group.

During this fiscal year, as “Pursue Efficiency” measures, we further streamlined organizations and functions to strengthen the corporate functions and enhance productivity in the back-office operations (business risk management and operation). Starting the next fiscal year, Nagase Business Expert Co., Ltd. will be responsible for pushing forward with business risk management and enhancing efficiency for the entire Group.

Regarding “HR Development,” we follow the policy on the employment of diverse human resources. We created a framework, including shifting to an HR system that accommodates people’s working age, while visualizing candidates for global leaders and planning to develop a workforce with leadership skills.

[Mindset] Specific Measures Implemented in Fiscal 2019	
-	The streamlining of organizations and functions have been realized by transferring operations to Nagase Business Expert Co., Ltd.
-	Implementation of HR initiatives to employ diverse human resources

(9) Changes in assets and profit/loss

(Unit: millions of yen)				
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	722,384	783,933	807,755	799,559
Ordinary income	16,361	25,982	26,643	19,083
Net income attributable to owners of parent	10,331	17,175	20,136	15,144
Net income per share (Unit: yen)	81.65	136.34	161.30	122.12
Total asset	530,775	569,456	567,346	611,477
Net asset	295,198	308,804	312,609	313,243

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

(10) Status of parent company and main subsidiaries (As of March 31, 2020)

a) Status of parent company

No applicable information.

b) Status of main subsidiaries

Company name	Capital	Percentage of voting rights held	Main business
Nagase Holdings America Corporation	(thousand) US\$ 1	100.0%	Regional management, investment and asset management, and provision of professional services
Prinova Group, LLC	-	93.3% (93.3%)	Sales of food ingredients, processing, and contract manufacturing of finished products
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.
Shanghai Hua Chang Trading Co., Ltd.	(thousand) RMB 19,864	70.0% (53.8%)	Sale of plastics and related products
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.
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

Notes:

- Figures in parentheses under percentage of voting rights held indicate indirect ownership (included in total equity holdings).
- Prinova Group, LLC is a limited liability company under United States law. The amount of capital is not stated because it does not exactly accord with the concept of capital.
- As of the end of the fiscal year, there were no specified wholly owned subsidiaries.

(11) Main business activities (As of March 31, 2020)

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

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, Water processing-related materials, surfactant raw materials, fluorochemicals, adhesive materials, 5G-related materials, silicone materials, Environment-related commercial products, and others
Advanced Materials & Processing	Dyestuff, pigments, functional dyes, information printing-related products, 3D printing-related commercial products, thermoplastic resins, thermosetting resins, auto body repair paint, conductive paints, synthetic rubber, inorganic materials, plastic materials, plastic moldings and molds, and others
Electronics	High-performance epoxy resins, semiconductor assembly materials and equipment, electronic precision abrasives, semiconductor and LCD processing materials and equipment, low-temperature vacuum equipment, display panel components and materials, LED, and others
Mobility & Energy	Plastics products, silicone materials, functional coating, structural materials, resin molding equipment, molds, interior and exterior materials and parts, decorative film and parts, automotive display-related components, EV/HEV parts, sensor parts, solar cells, rechargeable battery-related components and materials, and others
Life & Healthcare	Pharmaceutical and agricultural raw materials, research reagents, in-vitro diagnostics, enzymes, food additives, food extracts, sports nutrition, premix, 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, 2020)

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), 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 Holdings America Corporation, Prinova Group, LLC, Nagase (Thailand) Co., Ltd., Shanghai Hua Chang Trading Co., Ltd., Nagase (Hong Kong) Ltd., Shanghai Nagase Trading Co., Ltd., and others	

(13) Status of employees (As of March 31, 2020)

a) Status of the corporate group employees

Business Segment	Number of employees
Functional Materials	679
Advanced Materials & Processing	1,572
Electronics	1,569
Mobility & Energy	357
Life & Healthcare	1,984
Other	269
Company-wide (common)	777
Total	7,207

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.
3. The number of employees increased by 1,064 from the end of the previous fiscal year. The main reason is that Prinova Group, LLC and its subsidiaries became the Group’s consolidated subsidiaries on August 6, 2019.

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
909	+58	40.9	15.0 years

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

(14) Main lenders and loan amounts (As of March 31, 2020)

Lenders	Loan amounts
Sumitomo Mitsui Banking Corporation	24,013 million yen
MUFG Bank, Ltd.	15,462 million yen
Mizuho Bank, Ltd.	8,231 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, 2020)

(1) Total number of shares authorized 346,980,000

(2) Total number of shares issued 127,408,285

(3) Number of shareholders 22,306

(4) Principal shareholders (top 10)

Principal shareholders	Number of shares held (thousand shares)	Holdings percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,191	6.6
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,922	4.8
Sumitomo Mitsui Trust Bank, Limited	5,776	4.7
Japan Trustee Services Bank, Ltd. (Trust Account)	5,676	4.6
Sumitomo Mitsui Banking Corporation	4,377	3.5
Nippon Life Insurance Company	3,589	2.9
Reiko Nagase	3,533	2.8
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,080	2.5
Nagase Shunzo Co., Ltd.	2,688	2.2
NAGASE & CO., LTD. Own Share Investment Association	2,643	2.1

Notes:

- Other than the above, there are 3,396,695 shares of treasury stock held by the Company, and holdings percentages are calculated with the treasury stock 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, 2020)

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	Ichiro Wakabayashi	In charge of Corporate Sales & Marketing	
Director	Masaya Ikemoto	In charge of Corporate Administration, Affiliates and Prinova Group, LLC	
Director	Hiddenori Nishi		Outside Director of FUJI OIL HOLDINGS INC.
Director	Nobumasa Kemori		Outside Director of JFE Holdings, Inc. Outside Director of Sumitomo Realty & Development Co., Ltd.
Full-time Audit & Supervisory Board Member	Nobuyuki Shirafuji		
Full-time Audit & Supervisory Board Member	Masanori Furukawa		
Full-time Audit & Supervisory Board Member	Mitsuru Kanno		
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. Outside Director of Dentsu Group 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 outside 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 outside 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 Directors Kenji Asakura, Ichiro Wakabayashi and Masaya Ikemoto are also executive officers.
8. Changes in Directors and Audit & Supervisory Board Members during the fiscal year

(1) Appointments

Mitsuru Kanno was newly elected and appointed as Audit & Supervisory Board Member at the 104th Annual Shareholders' Meeting held on June 21, 2019.

(2) Retirements

Directors Mitsuru Naba, Osamu Morishita and Takanori Yamauchi and Audit & Supervisory Board Member Kenichi Matsuki retired from offices due to the expiration of their terms of offices effective as of the conclusion of the 104th Annual Shareholders' Meeting held on June 21, 2019.

(3) Changes in status or areas of responsibility of Directors during the fiscal year

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

Position	Name	New	Old
Director	Ichiro Wakabayashi	Representative Director In charge of Corporate Sales & Marketing	Director In charge of Corporate Sales & Marketing
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

The areas of responsibility of Directors as of July 18, 2019 were as set forth below.

Position	Name	New	Old
Director	Masaya Ikemoto	In charge of Corporate Administration, Affiliates and Prinova Group, LLC	In charge of Corporate Administration and Affiliates

<Reference>

1. The areas of responsibility of Directors as of April 1, 2020 were as set forth below.

Position	Name	New	Old
Director	Masaya Ikemoto	In charge of Corporate Administration and affiliates	In charge of Corporate Administration, Affiliates and Prinova Group, LLC

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

Executive Officers were elected on April 1, 2020, 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	Takanori Yamauchi	In charge of Nagase Business Expert Co., Ltd. and BCP
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, and Europe CEO
Executive Officer	Kusuo Ota	General Manager of Colors & Advanced Processing Dept., in charge 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 Audit Office
Executive Officer	Takayuki Masuda	Americas CEO
Executive Officer	Yasumitsu Orii	General Manager of New Value Creation Office
Executive Officer	Ryuichi Uchida	General Manager of Global Marketing Office
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.
Executive Officer	Yoshihisa Shimizu	General Manager of Finance & Accounting 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	10	258 million yen	450 million yen annually (Resolution of Meeting on June 24, 2015)
Audit & Supervisory Board Member	5	78 million yen	100 million yen annually (Resolution of Meeting on June 21, 2019)
Total	15	336 million yen	

Notes:

1. Included in the above is 53 million yen in total compensation paid to the four outside Directors.
2. The total amount paid to Directors indicated above includes 34 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, 13 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 three Directors and one Audit & Supervisory Board Member who retired effective as of the conclusion of the 104th Annual Shareholders' Meeting held in June 21, 2019.
5. Policy on determination of officer compensation amounts and the calculation method

The Company has established 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 outside 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 outside 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	Outside Director of FUJI OIL HOLDINGS INC.	The Company engages in transactions including purchase of goods.
Outside Director	Nobumasa Kemori	Outside Director of JFE Holdings, Inc.	The Company engages in transactions including sale of goods.
		Outside Director of Sumitomo Realty & Development Co., Ltd.	No special relationship
Outside 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.
		Outside Director of Dentsu Group Inc.	The Company engages in research-related transactions.
		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 18 of 18 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 18 of 18 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.
Outside Audit & Supervisory Board Member	Nobuyuki Shirafuji	Attended 18 of 18 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 18 of 18 Board of Directors meetings held during the fiscal year (attendance rate: 100%) and all 16 meetings of the Audit & Supervisory Board held during the fiscal year (attendance rate: 100%) and presented opinions, gave advice, and made other statements as appropriate from a professional perspective as an attorney.

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

5. Independent Auditor

(1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

(2) Summary of Limiting liability agreement

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

(3) Amount of compensation paid to Independent Auditor during the current 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	152
Amount of compensation, etc. paid by the Company to Independent Auditor in relation to business other than that specified above	2
Total compensation, etc. paid by the Company and its consolidated subsidiaries to Independent Auditor	197

Notes:

- 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 current fiscal year.
- The Audit & Supervisory Board received materials necessary for investigating the amount of the Independent Auditor's compensation from relevant internal divisions, Directors, Independent Auditor, and so on, received explanations from the Independent Auditor of a summary of the audit plan for the current 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 survey report services relating to the issuance of corporate bonds and 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, Prinova Group, LLC, Nagase (Hong Kong) Ltd., Nagase (Thailand) Co., Ltd. and two other overseas subsidiaries 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 a 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.

The Company has established the Internal Control Committee to build, maintain and improve the internal control system. The Committee deliberates on basic policies for the internal control systems, builds systems established under the internal control systems, and monitors the operation of the systems.

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

Based on its long-standing management philosophy of "recognizing 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. In addition, the Group Management Committee consists of executive officers appointed by the Board of Directors, and holds regular meetings twice a month in principle to discuss important matters such as management strategies and investment projects, as a way to support management decision-making.

Directors and Audit & Supervisory Board Members may attend the Group Management Committee meetings.

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 after 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 further enhance the reliability of financial reports, 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 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 while tasks and measures to promote the risk management are deliberated and decided on.

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 overall 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 Group 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 deemed unnecessary 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.

The Company has established the Internal Control Committee that consists of Directors and executive officers, in order to build, maintain and improve the internal control systems. The Committee monitors the operational status of internal controls.

- 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.

The Risk Management & Compliance Committee, which was established to create and maintain the compliance system, reports to the Board of Directors about activity plans and activity reports.

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 through such methods as constructing a system in which people's authority to access and view these documents is set. Systems that allow the Directors and Audit & Supervisory Board members to 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 the committee's functions and authority have been specified and its roles and responsibilities have been clarified. 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 conveyed and emergency procedures are implemented promptly and appropriately.

- 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 met a total of 18 times this fiscal year (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, their responsibilities, and procedures for carrying out those responsibilities, and business is efficiently executed in accordance with them. We also established the Group Management Committee, a cross-group meeting body that discusses important matters such as management strategies and investment projects as a way to support management decision-making. The Group Management Committee consists of executive officers appointed by the Board of Directors, and holds regular meetings twice a month in principle.

- e) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation 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 using risk management tables, and tasks and measures to promote the risk management are deliberated and decided on by the respective responsible division, while important matters relating to Group-wide compliance are discussed and decisions are made 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, the effectiveness of instructions to such employees is ensured, 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, 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) Policy on decisions concerning distribution of surplus

The Company's basic policy is to continue paying a stable 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 stronger management foundation.

Consolidated Financial Statements

Consolidated Balance Sheet (As of March 31, 2020)

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

ASSETS	Amount
	(Millions of yen)
Current assets	379,337
Cash and time deposits	51,408
Notes and accounts receivable	221,116
Merchandise and finished goods	86,166
Work in process	1,789
Raw materials and supplies	7,730
Other	11,859
Less allowance for doubtful accounts	(732)
Non-current assets	232,139
Property, plant and equipment	74,309
Buildings and structures	24,937
Machinery, equipment and vehicles	13,604
Land	21,092
Other	14,674
Intangible fixed assets	72,597
Goodwill	35,246
Technology-based assets	9,064
Other	28,286
Investments and other assets	85,232
Investments in securities	76,124
Long-term loans receivable	391
Retirement benefit asset	1,754
Deferred tax assets	2,085
Other	4,967
Less allowance for doubtful accounts	(91)
Total assets	611,477

LIABILITIES AND NET ASSETS	Amount
LIABILITIES	(Millions of yen)
Current liabilities	200,434
Notes and accounts payable	108,285
Short-term loans	30,590
Current portion of long-term loans	1,277
Commercial paper	30,000
Accrued income taxes	4,625
Accrued bonuses for employees	5,123
Accrued bonuses for directors	170
Other	20,360
Long-term liabilities	97,800
Bonds	30,000
Long-term loans	42,621
Deferred tax liabilities	9,280
Retirement benefit liability	13,677
Other	2,221
Total liabilities	298,234
NET ASSETS	
Shareholders' equity	272,342
Common stock	9,699
Capital surplus	10,646
Retained earnings	257,067
Treasury stock, at cost	(5,071)
Accumulated other comprehensive income (loss)	32,979
Net unrealized holding gain on securities	32,618
Deferred gain on hedges	3
Translation adjustments	1,051
Remeasurements of defined benefit plans	(694)
Non-controlling interests	7,921
Total net assets	313,243
Total liabilities and net assets	611,477

Consolidated Statement of Income (April 1, 2019 – March 31, 2020)

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

Amount	
	(Millions of yen)
Net sales	799,559
Cost of sales	694,657
Gross profit	104,901
Selling, general and administrative expenses	85,734
Operating income	19,167
Non-operating income	
Interest income	148
Dividend income	2,173
Rent income	266
Other	666
Non-operating expenses	
Interest expense	1,355
Equity in losses of affiliates	538
Foreign exchange losses	747
Other	697
Ordinary income	19,083
Extraordinary gains	
Gain on sales of non-current assets	21
Gain on sales of investments in securities	9,723
Subsidy income	52
Other	4
Extraordinary losses	
Loss on sales of non-current assets	46
Loss on disposal of non-current assets	204
Impairment losses	3,116
Loss on valuation of investments in securities	1,028
Other	288
Income before income taxes	24,200
Income taxes - current	7,395
Income taxes - deferred	1,288
Net income	15,515
Net income attributable to non-controlling interests	371
Net income attributable to owners of the parent	15,144

Consolidated Statement of Changes in Net Assets (April 1, 2019 – March 31, 2020)

(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, 2019	9,699	10,647	247,617	(5,070)	262,892
Changes					
Cash dividends			(5,704)		(5,704)
Net income attributable to owners of parent			15,144		15,144
Purchases of treasury stock				(0)	(0)
Changes in parent's ownership interest due to transactions with non-controlling interests		(0)			(0)
Change in scope of consolidation			(93)		(93)
Changes in scope of equity affiliates			103		103
Other changes					
Total changes	-	(0)	9,450	(0)	9,449
Balance at March 31, 2020	9,699	10,646	257,067	(5,071)	272,342

(Millions of yen)

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments	Total accumulated other comprehensive income		
Balance at April 1, 2019	41,857	(7)	3,224	(292)	44,781	4,934	312,609
Changes							
Cash dividends							(5,704)
Net income attributable to owners of parent							15,144
Purchases of treasury stock							(0)
Changes in parent's ownership interest due to transactions with non-controlling interests							(0)
Change in scope of consolidation							(93)
Changes in scope of equity affiliates							103
Other changes	(9,238)	11	(2,172)	(402)	(11,802)	2,986	(8,815)
Total changes	(9,238)	11	(2,172)	(402)	(11,802)	2,986	634
Balance at March 31, 2020	32,618	3	1,051	(694)	32,979	7,921	313,243

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (As of March 31, 2020)

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

ASSETS	Amount
	(Millions of yen)
Current assets	227,711
Cash and time deposits	22,280
Notes receivable	4,086
Electronically recorded monetary claims - operating	12,032
Accounts receivable	138,486
Merchandise	24,676
Goods in transit	1,894
Short-term loans receivable from subsidiaries and affiliates	20,306
Other	6,635
Less allowance for doubtful accounts	(2,687)
Non-current assets	213,202
Property, plant and equipment	12,228
Buildings	3,564
Structures	74
Machinery and equipment	221
Tools, furniture and fixtures	1,215
Land	7,152
Other	0
Intangible fixed assets	1,018
Software	903
Other	114
Investments and other assets	199,955
Investments in securities	64,327
Shares of subsidiaries and affiliates	106,184
Investments in capital of subsidiaries and affiliates	4,737
Long-term loans receivable from subsidiaries and affiliates	27,979
Claims provable in bankruptcy, claims provable in rehabilitation and other	10
Prepaid pension cost	2,593
Other	522
Less allowance for doubtful accounts	(6,399)
Total assets	440,913

LIABILITIES AND NET ASSETS	Amount
LIABILITIES	(Millions of yen)
Current liabilities	154,824
Notes payable	6
Electronically recorded obligations - operating	937
Accounts payable	79,268
Short-term loans	2,056
Current portion of long-term loans	684
Commercial papers	30,000
Accounts payable - other	5,436
Accrued income taxes	3,376
Deposits received	29,790
Accrued bonuses for employees	1,312
Other	1,955
Long-term liabilities	89,599
Bonds	30,000
Long-term loans	40,487
Deferred tax liabilities	12,059
Retirement benefit liability	6,927
Other	125
Total liabilities	244,424
NET ASSETS	
Shareholders' equity	164,296
Common stock	9,699
Capital surplus	9,634
Legal capital surplus	9,634
Retained earnings	0
Legal retained earnings	150,033
Other	2,424
Reserve for special depreciation	147,608
Reserve for reduction entry	2,453
General reserve	95,510
Retained earnings brought forward	49,644
Treasury stock, at cost	(5,071)
Valuation and translation adjustments	32,192
Net unrealized holding gain on securities	32,189
Deferred gain on hedges	3
Total net assets	196,489
Liabilities and net assets	440,913

Non-Consolidated Statements of Income (April 1, 2019 – March 31, 2020)

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

	Amount	
	(Millions of yen)	(Millions of yen)
Net sales		448,139
Cost of sales		417,816
Gross profit		30,322
Selling, general and administrative expenses		28,257
Operating income		2,064
Non-operating income		
Interest income	549	
Dividend income	6,926	
Rent income	690	
Foreign exchange gains	287	
Other	770	9,223
Non-operating expenses		
Interest expenses	576	
Amortization of bond issuance cost	132	
Cost of rent revenue	315	
Other	383	1,408
Ordinary income		9,879
Extraordinary gains		
Gain on sales of non-current assets	5	
Gain on sales of investments in securities	9,723	
Other	64	9,792
Extraordinary losses		
Loss on sales of non-current assets	1	
Loss on disposal of non-current assets	46	
Loss on valuation of investments in securities	697	
Loss on valuation of shares of a subsidiary	1,187	
Provision of allowance for doubtful accounts for subsidiaries	1,809	3,741
Income before income taxes		15,931
Income taxes - current	4,412	
Income taxes - deferred	149	4,561
Net income		11,369

Non-Consolidated Statement of Changes in Net Assets (April 1, 2019 – March 31, 2020)

(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, 2019	9,699	9,634	0	9,634	2,424	0	2,466	95,510	43,965	144,368
Changes										
Reversal of reserve for special depreciation						(0)			0	-
Reversal of reserve for reduction entry							(13)		13	-
Cash dividends									(5,704)	(5,704)
Net income									11,369	11,369
Purchases of treasury stock										
Other changes										
Total changes	-	-	-	-	-	(0)	(13)	-	5,678	5,664
Balance, at March 31, 2020	9,699	9,634	0	9,634	2,424	-	2,453	95,510	49,644	150,033

(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, 2019	(5,070)	158,631	41,329	5	41,335	199,967
Changes						
Reversal of reserve for special depreciation		-				-
Reversal of reserve for reduction entry		-				-
Cash dividends		(5,704)				(5,704)
Net income		11,369				11,369
Purchases of treasury stock	(0)	(0)				(0)
Other changes			(9,140)	(1)	(9,142)	(9,142)
Total changes	(0)	5,664	(9,140)	(1)	(9,142)	(3,478)
Balance, at March 31, 2020	(5,071)	164,296	32,189	3	32,192	196,489

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