Mid-term Management Plan *ACE-2020*

Accountability・ Commitment・ Efficiency

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 thorough daily activities.

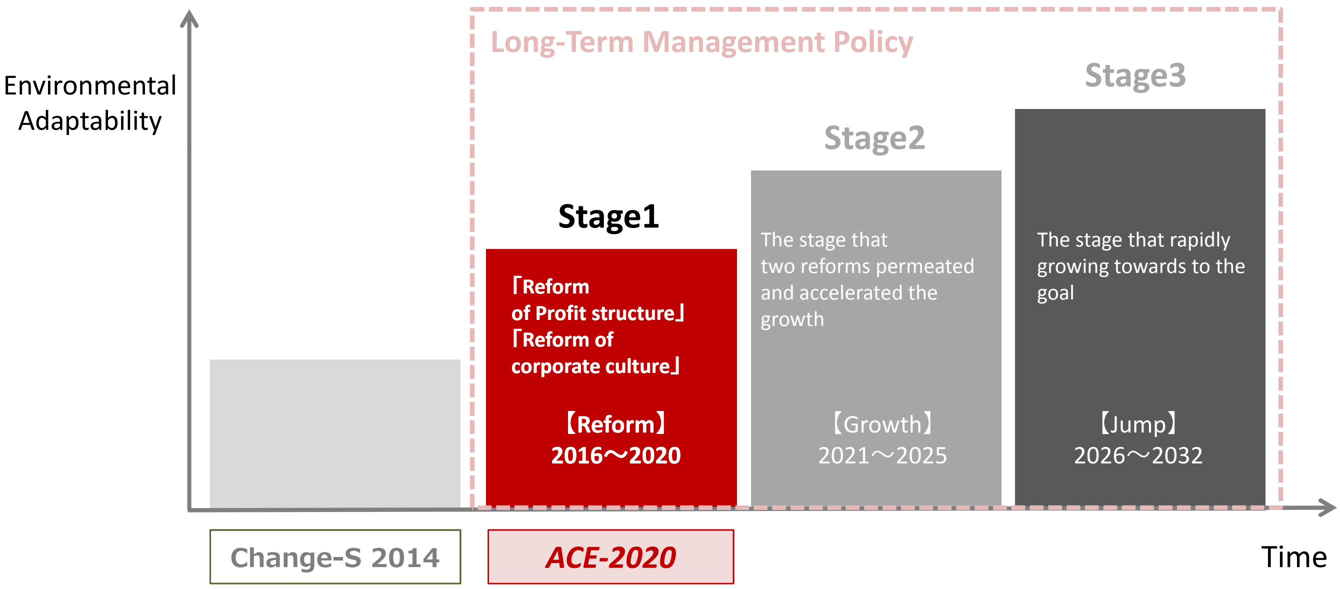
Summary of Long-term management policy

Goal to 2032	Normalization of the profit more than tripled
Challenges for Growth	**Reinforce the Management Platform for Growth**
・Realize a significant growth by allocating management resources to focused business and by shifting operation from Japan-centrism to multinational management system. ・Set up growth investment frame of 200 B yen. Consider large investment as a method to achieve long term objectives.	・To lead growth challenges to success, construct a management platform that will contribute to business expansion and globalization.
• Increase growth investment • Accelerate organic growth • Expand overseas operation	• Restructure global governance • Increase flexibility in HR management • Enhance safety and assurance • Consolidate communication infrastructure

Positioning of ACE-2020

To achieve our goal by 2032, the last year of Long-Term Management Policy,
we divide 17 years of its term into 3 and start stage 1 as the beginning of the Mid-Term management Plan ACE-2020.

* Our goal: Normalization of the profit more than tripled.



ACE-2020 Basic Policy

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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.

【6 Functions】

Reform Profit Structure

Portfolio Optimization

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

Expand and Strengthen Revenue Base

Accelerate globalization " G6000"
Improve manufacturing profitability

Reform Corporate Culture

Mindset

Breed independence and responsibility

Share the management's message

Thorough monitoring and PDCA

Strengthen Management Platform

Pursue efficiency
HR development

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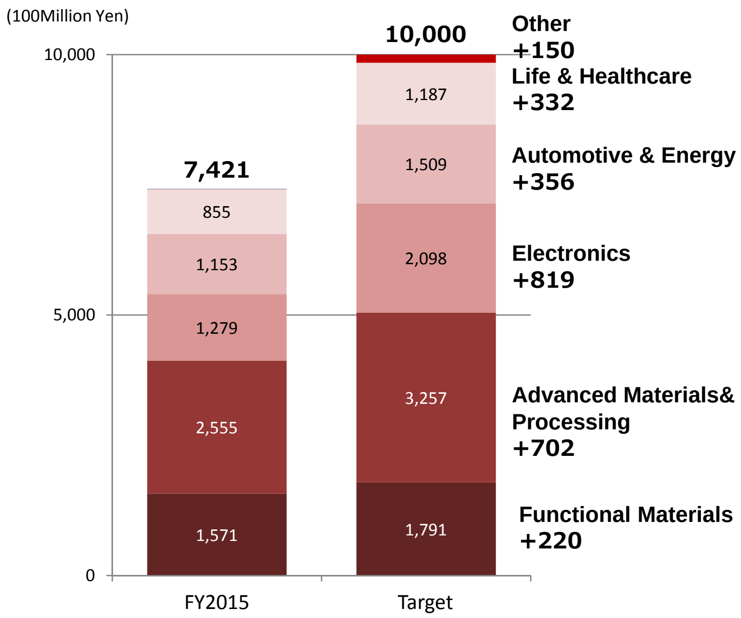
Consolidated Sales

Normalize 1.0 Trillion Yen or more

Sales by Segment (100Million Yen)



Sales by HQ and subsidiaries (100Million Yen)

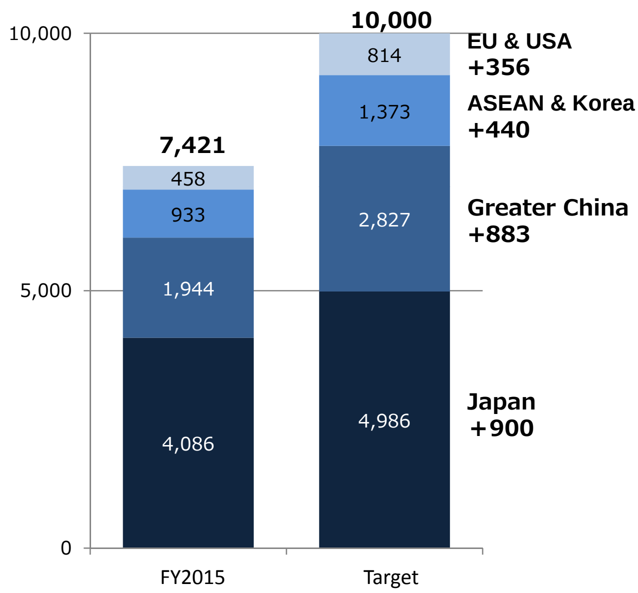


*Figure differs from
Sales by region stated in quarterly report

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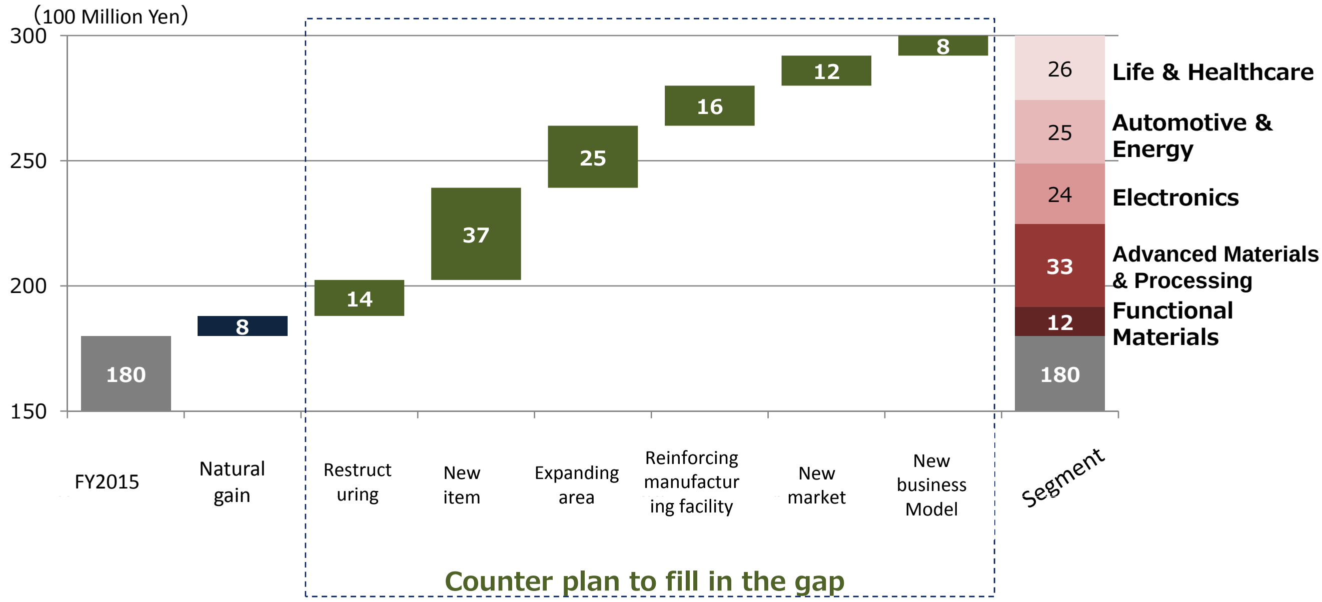
Consolidated Operating Profit

Normalize 30 Billion Yen or more



※ Natural gain　：Natural increase or decrease corresponding to changes in business conditions or an industry

※ Counter plan to fill in the gap ： Counter plan from Natural gain to Target

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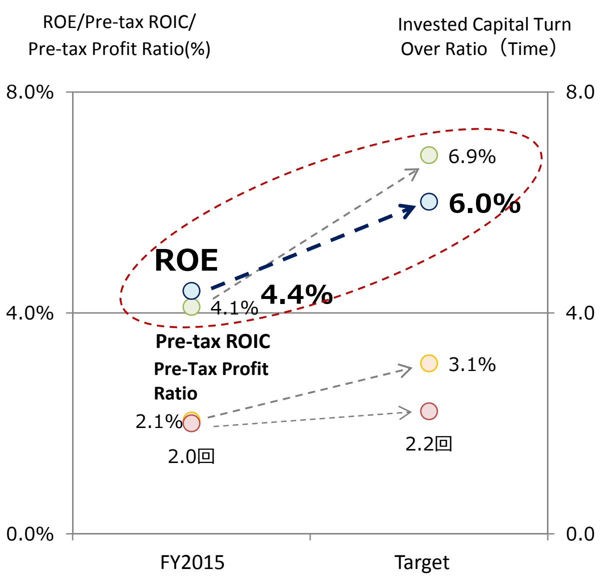
ROE

Normalize Over 6%



Goal to achieve ROE/Pre-tax ROIC

Pre-tax profit ratio **Improve 1 point** 2.1%→3.1%
Invested capital turnover ratio **Improve 10%** 2.0times→2.2time

ROE = Post-tax Profit ÷ Equity

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

$$\text{ROIC} = \frac{\text{Pre-tax Profit}}{\text{Sales Amount}} \times \frac{\text{Sales Amount}}{\text{Equity＋Interest-bearing debt}}$$

Pre-tax Profit Ratio | Invested Capital Turn Over Ratio

All measures that efficiently increase profit by reduced cost	All measures that efficiently increases sales with limited asset
Sales of new and added - value product	Increase growth investment
Logistics efficiency	M&A
Utilize shared service	Reduce slow-moving, long-term inventory
Withdraw from unprofitable business	Utilize group cash management system
Rationalization	Idle assets liquidation

Portfolio Optimization

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Categorize businesses and execute strategies suitable for each category

Divide into 4 sectors, "Growth", "Focus", "Base" and "Improvement"
to gain maximum efficiency of management resources and expand business.

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

Focus
Expected further increase in profit
Life & Healthcare | Electronics
【Resource Allocation Policy】
Intensive resource allocation that accelerate growth
【Priority Measures】
① Expand scale ② Examine profit structure
③ Horizontal expansion of market
④ Strengthen marketing ⑤ Minimize risk

Growth/Emerging
Transform to "Focus" in 3 years
【Resource Allocation Policy】
Resource allocation to accelerate growth
【Priority Measures】
① Expand scale ② Examine profit structure
③ Strengthen marketing ④ Minimize risk

Base
Contributed to stably increase the corporate value
【Resource Allocation Policy】
Resource allocation to sustain business
【Priority Measures】
① Reduce fixed and liquidity costs ② Minimize risk
③ Grope synergy ④ Stabilize business
⑤ Improve profit structure
⑥ Rationalize & Restructure

Improvement
Immediately required drastic improvement in profit structure
【Priority Measures】
① Review existing strategy
② Drastic structural reform that involves withdraw

Create the business (ex. utilize the VC) that adds into Growth area

Withdrawal

Asset Replacement and Re-allocation

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

Categorize profitable and unprofitable business by using NPV(Net Present Value) and comparing hurdle rate/IRR to accelerate asset replacement.

Expand and Strengthen Revenue Base

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Accelerate Globalization "G6000"

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

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

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

Improve Manufacturing Profitability

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

- To grow focused businesses by prioritizing and improving mid-term free-cash-flow over the short-term sales profit.
- To pursue profit structure analysis and management stabilization via effective reduction in cost (improve B/E point).

- New product development and placement of the product into market, cultivation of new market and penetrate into high value added filed. e.g. Overseas sales expansion of Trehalose, capital investment of epoxy sheet material, R&D on conductive material for coating and etc.
- Creating a scenario and HRD which focuses on overseas market expansion.（Overseas marketing and production）

＊ The figures on this file are all management accounting data （simple sum）
It is different from the figures disclosed on the consolidated financial statement.

Mindset/Strengthen Management Platform

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Build Accountability, Responsibility and Risk Awareness

Set mid-term management plan as a goal that proactively achieves and act responsible.

Share Management's Message

Create better communication infrastructure, and the entire group collectively strives for the same goal.

Thorough Monitoring and PDCA

Make full use of dashboard and thorough monitoring to carry out PDCA cycle to achieve KGI/KPI.

Pursue Efficiency

Eliminate excess/duplication and increase efficiency of the organization/function to improve consolidated SGA ratio by 0.5%

HR Development

Strongly drive HR development to increase group competitiveness and sustainable growth

Summary

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KGI（Key Goal Indicator）

KGI	FY2015	FY2020
Consolidated Sales Amount	724.1 Brillion Yen	1.0 Trillion Yen or more
Consolidated Operating Income	18.0 Billion Yen	30.0 Billion Yen or more
ROE	4.4%	6.0% or more

KPI（Key Performance Indicator） Factor index to achieve KGI

Reform/Strategy	measures	KPI (Index)	FY2015	FY2020
Profit Structure Reform Indicator	Increase Focused Business (Portfolio Optimization)	∗Operating Profit in Focus Area	10.3B Yen	16.9B yen
		Growing investment distribution ratio in focus area	N/A	35% <
	Accelerate Globalization (Expand and Strengthen Profit Structure)	∗Overseas Group Sales	424.7B Yen	600B Yen
		Sales Growth Rate in USA	N/A	170%
	Increase Manufacturing Profitability (Expand and Strengthen Profit Structure)	∗Operating Profit from Manufacturing	8.3B Yen	14.4B Yen
		∗Break-Even Point Sales Ratio	82%	73%
Corporate Culture Reform Indicator	Pursue Efficiency (Strengthen Management Platform)	Consolidated Selling, General and Administrative Ratio	9.9%	9.4%
Financial Strategy Indicator	Investment	Growth Investment	N/A	* 100B Yen
	Financial Structure	Rating (R&I)	[A]	[A] or more

∗Total numbers in 5 years
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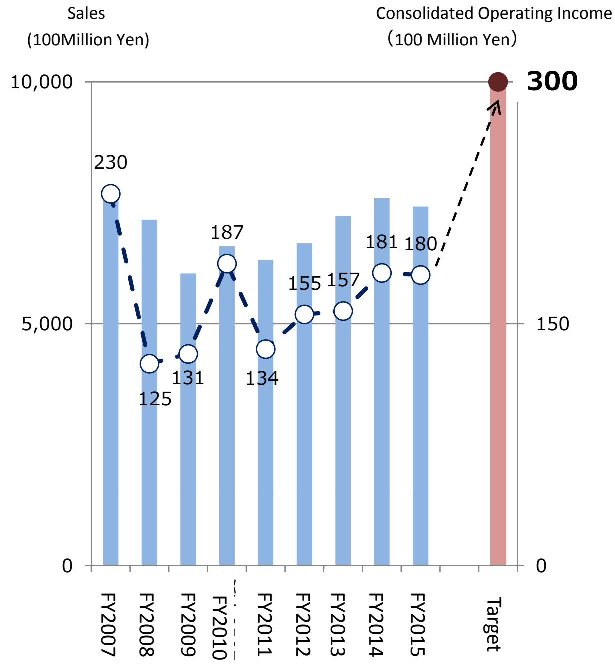
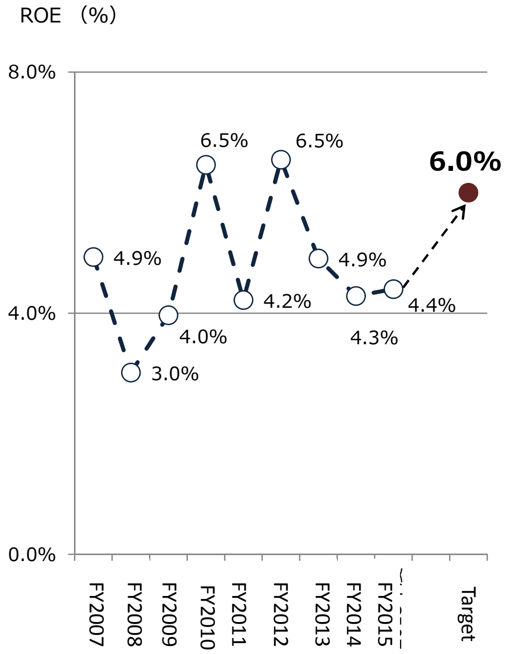
Consolidated Sales

Normalize 1.0 Trillion Yen or more



ROE

Normalize Over 6% at early stage



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Bringing it all together

http://www.nagase.co.jp

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of May 6, 2016. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.