

NAGASE

Annual Report 2011

Year ended March 31, 2011

A technology- and intelligence-oriented Company
that turns wisdom into business.



NAGASE

NAGASE & CO.,LTD.

<http://www.nagase.co.jp/>

Osaka Head Office: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka 550-8668, Japan
Tel: (81) 6-6535-2114

Tokyo Head Office: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8355, Japan
Tel: (81) 3-3665-3021

Nagoya Branch Office: 3-14-18, Marunouchi, Naka-ku, Nagoya City 460-8560, Japan
Tel: (81) 52-963-5615

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Corporate Profile

The Nagase Group comprises more than 100 companies and offices in Japan and overseas. In positioning chemicals and plastics as its core segments, together with the three strategic fields of electronics, life sciences and automotive-related materials, Nagase offers trading, marketing, research and development as well as manufacturing and processing functions that make it “a technology- and intelligence-oriented company that turns wisdom into business.”

NAGASE

Nagase & Co., Ltd., the principal company of the Nagase Group, was founded in 1832 as a dyestuff wholesaler in Kyoto. Ever since 1900, when Nagase first commenced the import of synthetic dyestuffs from Switzerland-based Chemical Industry of Basel (Ciba, today part of the BASF Group), Nagase has worked with customers to develop new markets. By accumulating expertise as a technology and information company, the Nagase Group has cultivated strengths that include: a customer base of approximately 6,000 outstanding companies; a number of employees possessing advanced technical information; advanced manufacturing and research and development functions; and a sound financial structure.

Working in partnership with its customers worldwide, the Nagase Group will continue to create new business opportunities and redouble its efforts toward further development and growth.

Traditional Functions of a Trading Company

- Distribution
- Risks (Credit, Finance)
- Basket sales

Nagase's Unique Strengths (Competitive Advantages)

- **Technology/information-related capabilities**
(A strong customer base of approximately 6,000 outstanding companies; in the context of technology, highly talented employees capable of building close relationships with customers)
- **Nagase Group products**
(Nagase ChemteX and other manufacturers with unique technologies)
- **Nagase R&D Center, Nagase Application Workshop**
- **Flow from upstream to downstream (Value chain)**
- **Global network**
(Centered on a network of sales bases in Northeast Asia, Southeast Asia, North America and Europe)

Deepening →

Wisdom →

Development →

Investment →



A technology- and intelligence-oriented company that turns wisdom into business.



A Cautionary Note on Forward-Looking Statements

This annual report contains statements and information regarding the plans, prospects, strategies and beliefs of Nagase and the Nagase Group that are forward-looking in nature and are not simply reiterations of historical fact. Such forward-looking statements and information involve known and unknown risks, uncertainties and other factors that could lead to outcomes that differ materially from those presented in this report. Readers are therefore cautioned not to overly rely on this information. Furthermore, factors that have the potential to impact performance are not limited to those contained in this report.

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11-Year Financial Highlights

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years Ended March 31)

	Millions of Yen						Millions of Yen				Thousands of U.S. Dollars	
	2001/3	2002/3	2003/3	2004/3	2005/3	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2011/3
	① WIT2000 (Reform) Investment Amount: ¥20.2 billion			② WIT21 (Promotion) Investment Amount: ¥23.7 billion			③ WIT 2008 (Reinforcement) Investment Amount: ¥27.7 billion		④ "CHANGE" 11 Investment Amount: ¥10.7 billion			
Performance (Accounting Fiscal Year):												
Net Sales	¥ 559,372	¥ 490,583	¥ 503,688	¥ 533,301	¥ 575,636	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	¥ 603,949	¥ 660,213	\$ 7,940,024
Segments												
Chemicals	237,871	218,524	223,656	231,360	251,725	222,282	247,094	267,836	263,114	237,124	253,290	3,046,182
Plastics	205,460	175,252	165,810	170,996	188,456	229,278	244,681	274,660	255,859	192,569	222,100	2,671,076
Electronics	103,382	83,660	99,759	118,978	122,632	132,086	150,796	163,833	135,773	117,591	133,640	1,607,216
Life Sciences	—	—	—	—	—	56,404	53,556	56,489	58,905	55,542	50,247	604,293
Other	—	—	—	—	—	7,972	5,191	1,934	1,585	1,121	934	11,233
Healthcare/Other	12,658	13,146	14,461	11,966	12,821	—	—	—	—	—	—	—
Regions												
Domestic	392,555	341,102	337,531	349,557	363,708	388,470	410,789	432,813	394,874	360,382	389,379	4,682,850
Overseas	166,817	149,481	166,157	183,744	211,928	259,553	290,532	331,942	320,364	243,567	270,833	3,257,162
Gross Profit	55,140	46,976	51,899	53,494	61,960	67,640	73,639	80,506	71,527	65,415	73,008	878,028
Operating Income	7,752	1,673	8,433	10,244	13,256	17,596	21,669	23,063	12,522	13,128	18,732	225,280
Net Income (Loss)	4,945	(2,097)	4,186	7,010	10,384	12,892	13,567	10,005	5,808	7,537	12,823	154,215
Financial Condition:												
Total Assets	¥ 353,776	¥ 300,073	¥ 284,800	¥ 310,793	¥ 335,290	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	¥ 368,088	¥ 375,336	\$ 4,513,963
Equity Capital	153,498	144,176	140,944	156,210	167,092	196,620	205,083	200,554	184,599	195,344	201,516	2,423,524
Interest-Bearing Debt	23,878	19,677	16,578	16,417	14,019	24,834	20,491	33,342	31,340	21,886	27,125	326,218
			Yen							Yen		U.S. Dollars
Per Share Data:												
Net Income (Basic)	¥ 35.28	¥ (15.39)	¥ 31.72	¥ 54.69	¥ 81.00	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	¥ 58.64	¥ 99.76	\$ 1.20
Net Assets	1,104.81	1,082.16	1,107.55	1,227.82	1,311.37	1,535.70	1,597.27	1,559.97	1,435.88	1,519.61	1,568.04	18.86
Cash Dividends	8.0	8.0	8.0	9.0	10.0	15.0	18.0	17.0	16.0	16.0	22.0	0.26
			%							%		
Ratios:												
Overseas Sales to Net Sales	29.8	30.5	33.0	34.5	36.8	40.1	41.4	43.4	44.8	40.3	41.0	
Manufacturing Ratio (Operating Income)	11.3	(9.6)	21.4	19.2	16.4	20.5	22.3	24.4	15.5	35.4	29.0	
Operating Margin (Operating Income/Net Sales)	1.4	0.3	1.7	1.9	2.3	2.7	3.1	3.0	1.8	2.2	2.8	
Return on Equity (ROE)	3.4	(1.4)	2.9	4.7	6.4	7.1	6.8	4.9	3.0	4.0	6.5	
Net Worth Ratio	43.4	48.0	49.5	50.3	49.8	49.6	48.5	47.8	54.1	53.1	53.7	
Debt to Equity Ratio (Times)	0.16	0.14	0.12	0.11	0.08	0.13	0.10	0.17	0.17	0.11	0.13	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2011

From WIT Medium-Term Management Plans to "CHANGE" 11

W: Wisdom I: Intelligence T: Technology

① WIT2000 (Reform)

N-ROE (Nagase ROE) numerical target ... 7%
N-ROE = Sales cash flow/Net assets at the start of the fiscal year

② WIT21 (Promotion)

Numerical targets
Consolidated net sales ¥550.0 billion
Consolidated operating income ¥11.0 billion

③ WIT2008 (Reinforcement)

Numerical targets
Consolidated net sales ¥770.0 billion
Consolidated operating income ¥24.0 billion

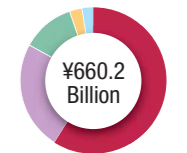
④ "CHANGE" 11

Numerical targets
Consolidated net sales ¥720.0 billion
Consolidated operating income ¥15.0 billion

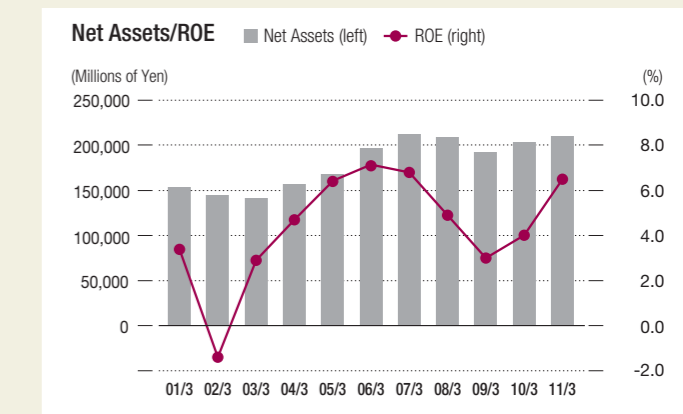
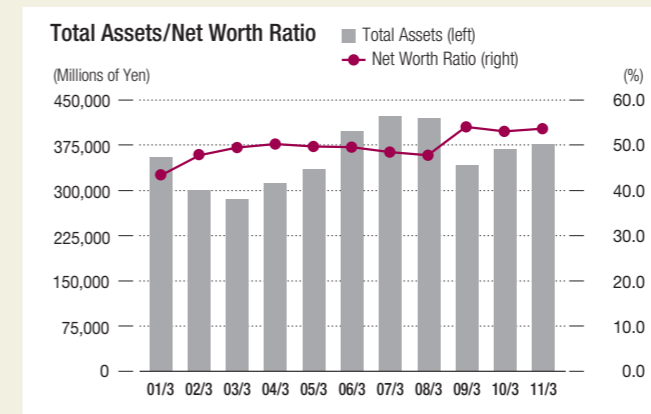
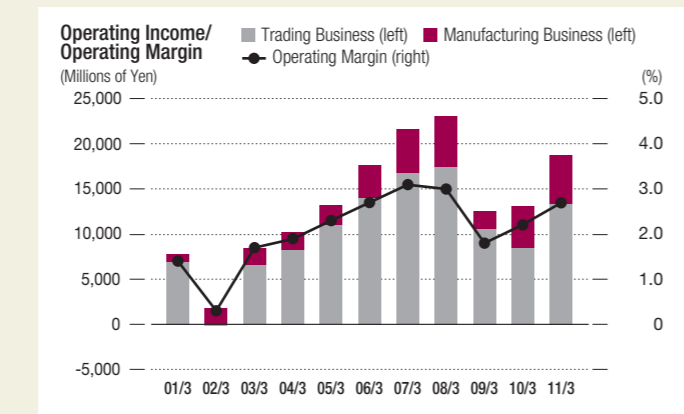
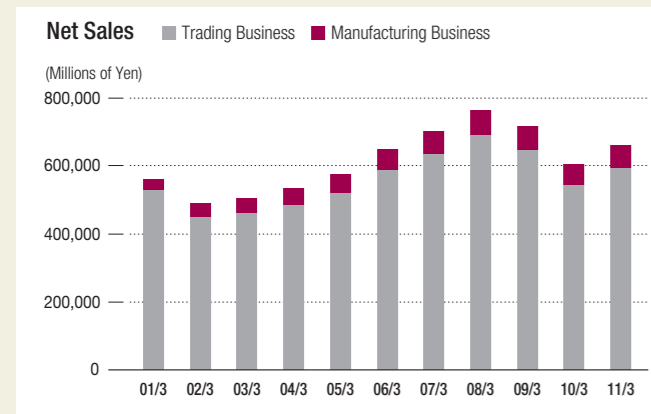
Net Sales by Business Segment



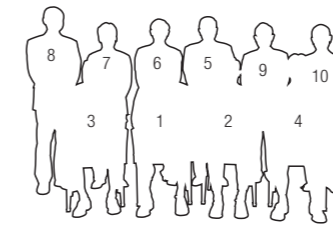
Composition Ratio of Net Sales by Region



Note: Segment shares do not total 100% because calculations were rounded off to the second decimal place.



Aiming to be a unique “technology- and intelligence-oriented company that turns wisdom into business,”



1. Hiroshi Nagase, Representative Director, President and CEO
2. Makoto Tsuruoka, Representative Director and Senior Managing Executive Officer
3. Kyoichi Zushi, Representative Director and Senior Managing Executive Officer
4. Reiji Nagase, Representative Director and Senior Managing Executive Officer
5. Shingo Bamba, Director and Managing Executive Officer
6. Kazuo Nagashima, Director and Managing Executive Officer
7. Kenichi Matsuki, Director and Executive Officer
8. Toshiro Yamaguchi, Director and Executive Officer
9. Haruyuki Niimi, Outside Director
10. Iwao Nakamura, Outside Director

**the Nagase Group will
make concerted efforts**

to provide relief assistance

based on its management philosophy of “good and fair business practices.”



The entire Nagase Group would like to express its deepest condolences to the victims of the Great East Japan Earthquake and extend its sincerest wishes for the speedy recovery of the stricken areas.

We at the Nagase Group have donated ¥50 million, and employees are conducting donation drives to be of some small assistance to those affected by the recent disaster and to aid in the recovery of stricken areas. In addition, Nagase is continuing to save electricity companywide in response to the likelihood of ongoing power shortages.

In the chemical industry, our core business, manufacturing in general has been seriously impacted as a result of supply chain-related disruption caused by the damage sustained by plants during and the power shortages after the recent disaster. Under these circumstances, drawing on our accumulated knowledge and experience, we will work to supply the raw materials demanded by customers through such initiatives as contacting our worldwide network of suppliers. Through these ongoing efforts, we strongly believe that we can be of genuine assistance in disaster recovery efforts and play an instrumental role in the domestic and global economies.

Based on our management philosophy of “good and fair business practices,” we at the Nagase Group will contribute to society by meeting customer needs in a precise and rapid manner.

July 2011

The Directors of Nagase & Co., Ltd.



President
Hiroshi Nagase

“Apart from functional business continuity plans (BCPs), we strongly recognize the importance of reinforcing our crisis management from the standpoint of making rapid decisions during an emergency.”

Crisis Management

Q_What was Nagase’s response to the Great East Japan Earthquake on March 11, 2011?

Firstly, I would like to take this opportunity to extend our deepest sympathies for all those affected by the Great East Japan Earthquake and sincere wish that those who are suffering will soon be able to regain their normal lifestyles.

On the day of the disaster, I was attending a meeting in Tokyo. I had never experienced an earthquake of that magnitude, and the sheer length of the shaking is impossible to forget. The shelves in my office toppled over and broken glass was strewn everywhere. Immediately following the earthquake, our safety confirmation system and emergency communications network were activated to confirm the status of Group employees. At the same time, an emergency response

command center was set up, led by a director to consolidate disaster-related information. Later on, this center played a useful role in assessing the necessity of employees reporting for work, adjusting work hours and other matters. With the earthquake occurring on a Friday, confirming the safety of employees and their families was not completed until three days later on Monday morning. However, I am very relieved to report that none of our employees were harmed.

In terms of our business operations, we were able to confirm that during the earthquake core systems remained intact companywide, which is an important measure of the BCP we established in anticipation of an earthquake directly under Tokyo. By maintaining these critical functions, we have established a platform that enables us to completely fulfill our responsibilities to business partners.

On the other hand, we could benefit from emulating some foreign and domestic companies,

which were able to make quick decisions about pressing issues. For example, some decided on the immediate transfer of headquarter functions to locations outside of Tokyo.

Improvement is certainly needed in the areas of initial response and coordination, underscoring the need to redouble the Nagase Group’s crisis management capabilities. Moreover, although we distributed complete disaster kits that include emergency provisions and protective gear, we plan to improve our preparation for emergencies that exceed current contingencies.

Q_What types of actions were taken to address customer needs in relation to Nagase’s main businesses?

Immediately following the earthquake, we made ongoing efforts to determine the status of customers in each department and engaged in information exchanges that went beyond departments and segments to analyze the impact of and problems caused by the disaster on all of our petrochemical supply chains.

Investigations have revealed that the chemical industry will be negatively impacted over the next six months by damage sustained at four facilities that produce approximately 36% of Japan’s ethylene. The loss of this ethylene production capacity is having a major effect on the production and supply of raw materials for such items as paper, daily commodities, semiconductors, synthetic rubber and ink. Although efforts to resume operations at these damaged facilities are steadily progressing, it is still not clear when this process will be fully completed. In light of this situation, the Nagase Group has received numerous requests from customers to supply them not only with the products it regularly sells them, but also chemical derivatives and other items. In response, concerted efforts are being made as Group employees work together to maximize Nagase’s global supply network. Despite our best efforts, I would like all customers to understand that given the severity of this situation, it may not be possible to supply these products.

Despite these circumstances the Nagase Group will do its utmost to meet customer needs by focusing its efforts to secure currently available

chemical derivatives as well as proposing substitutes.

Fiscal 2010 Business Performance in Review

Q_ In the fiscal year ended March 31, 2011, Nagase reported noticeable improvements in sales and income. Net sales increased 9.3% year on year to ¥660.2 billion, while operating income rose 42.7% to ¥18.7 billion, and net income jumped 70.1% to ¥12.8 billion. Please characterize business performance during the year under review.

To summarize Nagase’s overall performance, with the exception of Life Sciences, performance for all segments exceeded initial forecasts to a noticeable degree. Nagase recorded significant gains in earnings in Japan and overseas.

In the Chemicals segment, sales in Japan increased owing to steady demand throughout the chemicals industry, while overseas revenue rose because of strong sales in Southeast Asia and Europe that offset declines in Northeast Asia. Such increases in domestic and overseas revenue led to a 6.8% year-on-year improvement in net sales to ¥253.2 billion, with an overseas sales ratio of approximately 30%. Operating income rose 12.1% to ¥8.7 billion. These results were specifically attributable to strong sales of liquid crystal-related components of the Group’s manufacturing companies.

In the Plastics segment, net sales rose 15.3% year on year to ¥222.1 billion, with an overseas sales ratio of approximately 60%. Operating income jumped 54.2% to ¥4.7 billion. These increases were thanks to robust sales, including exports from Japan, in response to active overseas demand, mainly for products related to office automation, consumer electronics and automobiles in Northeast and Southeast Asia. Since the Plastics segment has a higher ratio of overseas sales compared with other segments, it is impacted to a greater extent by overseas manufacturing conditions than by those in Japan.

Net sales in the Electronics segment increased 13.6% year on year to ¥133.6 billion, with an

“Except for Life Sciences, performance in all segments exceeded initial forecasts. Nagase recorded significant gains in domestic and overseas earnings driven by strong performance in the liquid crystal, semiconductor and automotive industries.”

“The quality of Nagase’s business and operations can essentially be determined on our own by the kind of value we deliver to customers. As one solution in this area, we will promote Nagase-led businesses.”

overseas sales ratio of approximately 45%. Operating income surged 76.0% to ¥6.1 billion. The significant rise in both revenue and earnings resulted from favorable sales of components for producing smartphones as well as each type of components used in the liquid crystal and semiconductor industries. In particular, the Group’s formulated epoxy resin and processed glass product manufacturing businesses recorded strong sales.

By contrast, the Life Sciences segment was the notable exception, with decreases in revenue and earnings. Specifically, net sales fell 9.5% year on year to ¥50.2 billion, with an overseas sales ratio of approximately 20%. Operating income dropped 38.7% to ¥0.9 billion. These declines were caused by decreased sales in the pharmaceutical business, which handles pharmaceutical intermediates, and those for such daily commodities as food additives in the Fine Chemicals Department. Moreover, in the Beauty Care Products Department, brisk sales of health food products failed to make up for stagnant sales of cosmetics.

Note: The ratio of overseas sales is the ratio to net sales before consolidation and eliminations.

Q_ Although performance was driven mainly by the liquid crystal, semiconductor and automotive industries, what was the state of the market during the fiscal year under review?

The liquid crystal and semiconductor industries were relatively strong throughout fiscal 2010, despite inventory adjustments in certain areas during the first half and sluggishness in the second half. As you know, the market for smartphone-related products in particular continued to increase dramatically and is becoming an industry for which much is expected.

At the same time, the automotive industry was forecasted to sustain a major drop in sales in Japan following the cessation of beneficial sales promotion systems in the first half of fiscal 2010. However, such forecasts did not materialize and market conditions were favorable throughout the fiscal year under review thanks to only minor decreases in production and robust overseas sales primarily in China, Thailand and Indonesia.

Looking Back on the Second Year of “CHANGE” 11

Q_ There are six core initiatives that comprise “CHANGE” 11: 1) Select and concentrate businesses; 2) Build businesses around environment- and energy-related technologies; 3) Strengthen R&D and manufacturing functions; 4) Promote globalization; 5) Strengthen risk management; and 6) Promote employee diversity and work-life balance. Could you provide a progress report on these initiatives?

As the next medium-term management plan after the nine-year “WIT (Wisdom Intelligence Technology)-21” plan, “CHANGE” 11 has as its basic strategy “improve the quality of business and operations.” Against this backdrop, we are comprehensively and accurately addressing changes in the Group brought about by the success of “WIT-21” (Sales growth at manufacturing

companies, Rising overseas sales ratio, Increasing overseas headcount) and shifts in the external environment (the operation of new petrochemical plants mainly in the Middle East).

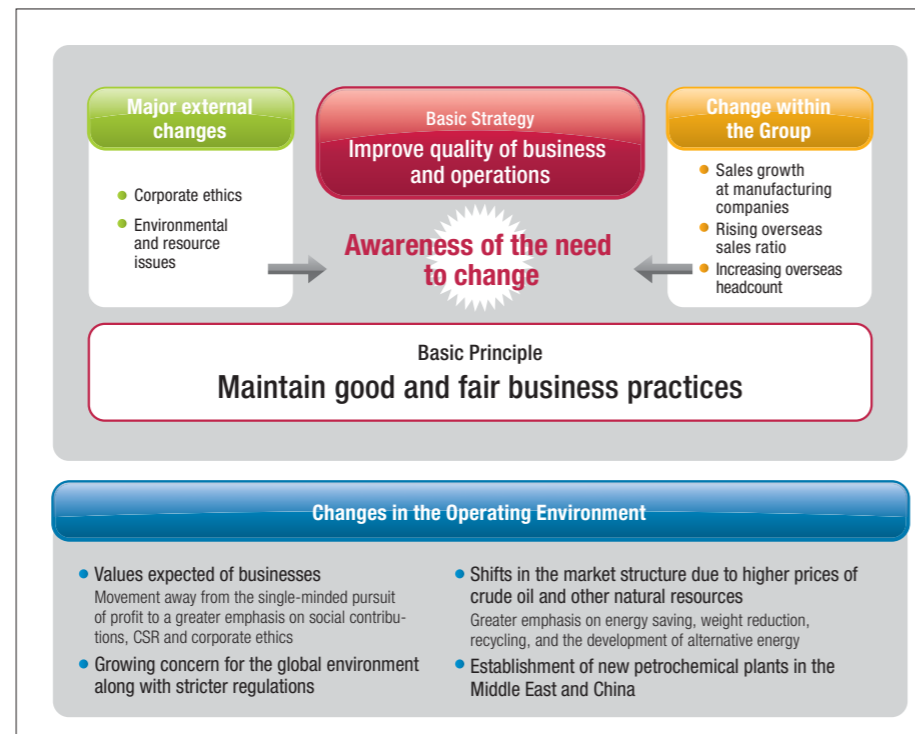
Although the table below outlines the progress we have made for each initiative, I will report on what we have accomplished to improve the quality of business and operations. The quality of Nagase’s business and operations can essentially be determined on our own by the kind of value we deliver to customers. As one solution in this area, we will promote Nagase-led businesses.

Listed here are examples of some of the measures we undertook during fiscal 2010.

- The development of lithium ion battery modules promoted by the Automotive Solutions Department and the Energy Device Office in partnership with CAPTEX Co., Ltd. (please refer to Businesses Involving Environment- and Energy-Related Technologies on p. 35).
- The development of photovoltaic generation systems for apartment buildings promoted by the Environment & Energy Office in concert with



Basic Strategy of “CHANGE” 11



Core initiatives for “CHANGE” 11

1. Select and concentrate businesses

- Upgraded U.S. and Japan-based affiliated manufacturing companies to subsidiaries following the transfer of the color-former business (specialty dye used for thermal paper) in order to build a comprehensive thermal business
- Established a joint venture in Indiana, USA to manufacture and sell blow-formed components and products for automobile interiors in order to deepen Nagase’s presence in U.S. automotive markets (mass production commenced)

2. Build businesses around environment- and energy-related technologies

- Decided in 2009 to build a new factory in Okazaki City, Aichi Prefecture to mass produce lithium ion battery modules developed by the subsidiary CAPTEX Co., Ltd.
- Established the Energy Device Office to build systems capable of ensuring uniform operations, from materials to application, by consolidating lithium ion battery-related businesses. This action is intended to expand businesses related to energy.

3. Strengthen R&D and manufacturing functions

- Nagase ChemteX decided to construct new production facilities at the Harima Plant to respond to growing demand in Japan and overseas for mobile device components, liquid molding materials for semiconductors, and solar cell-related materials. All of these are handled by the epoxy resin business.
- Nagase ChemteX decided to build a new plant at the Fukuchiyama Plant to expand production of enzymes, phospholipid and other original products that use actinomycete properties, which are handled by the enzyme business

4. Promote globalization

- Established a subsidiary in Mexico and a joint venture to manufacture and sell frame laminated materials for automobiles and urethane
- Set up a joint venture to engage in consigned production of high-performance plastics and intermediates in Changzhou City, Jiangsu Province, China to address increasing demand in China for plastic products manufactured on consignment

5. Strengthen risk management

- Promoted compliance with overseas chemical-related laws and upgraded systems related to security trade control for overseas subsidiaries
- Implemented ongoing awareness-raising initiatives including the implementation of security trade control training at Nagase and affiliated companies

6. Promote employee diversity and work-life balance

- Achieved accreditation as a general business owner compliant with the Next Generation Nurturing Support Measures Promotion Law issued by the Osaka Labor Bureau and acquired the next generation accreditation mark “KURUMINN”
- Implemented “No Overtime Days” and internal training lectures



“Global petrochemical market trends indicate these items are being absorbed by active demand in China. Although the impact on Japan remains minimal, there is no doubt that we are being swept by the current of this major change.”

GRID, Inc. (please refer to Businesses Involving Environment- and Energy-Related Technologies on p. 35).

- The recent construction of a plant by Setsunan Kasei Co., Ltd. that adds new development functions for original plastic compound promoted by the Polymer Products Department.
- The building of new production facilities to expand unique product lineups for enzymes and phospholipids and other items promoted by the Fine Chemicals Department and Nagase ChemteX Corp..
- The construction of a new plant to increase production of formulated epoxy resins for products related to mobile devices, semiconductors and solar cells promoted by Nagase ChemteX.

Through these and other measures, we are aiming to implement price revisions and marketing conducted by Nagase-led businesses.

The Nagase R&D Center is a source of the Group's competitive advantage. The general manager heading the Center also concurrently serves as the general manager of Nagase ChemteX. This move toward unified management has accelerated the speed of our R&D.

Note: Growth strategies for the following key measures: shifting from an intermediary-led business structure targeting import distributors to a technology/information business with added R&D and manufacturing functions; expanding the scope and capacity of the Greater China and ASEAN & the Middle East businesses; and increase Asian businesses by upgrading our business bases (please refer to 11-Year Financial Highlights on p. 2-3).

Q Amid major changes taking place in the external environment, please tell us about trends in petrochemical markets* following the commencement of operations at new petrochemical plants primarily in the Middle East.

— Petrochemical Market Trends in the Middle East

Ethylene production capacity in the Middle East reached an annual level of 25 million tons at the end of 2010, while petrochemical derivatives manufactured in the region can now be supplied to Europe and China. Although we are not yet able to provide a significant supply of petrochemical derivatives, our capabilities are steadily increasing. Accordingly, we believe that our supply capabilities will account for a major percentage of total supplies in the near future. In addition, since our

ability to increase output of ethane (a byproduct of crude oil production) is limited, we intend to move forward with production plans related to petrochemical derivatives, using raw materials that are heavier than naphtha.

— Petrochemical Market Trends in China

Ethylene production capacity in China exceeds 15 million tons per year, while the amount actually produced surpassed 14 million tons, twice that of Japan. Amid ongoing efforts to increase ethylene production capacity, we expect to exceed 20 million tons in 2014. Nevertheless, with ethylene demand expected to increase to above 30 million tons annually, at least 10 million tons must continually be imported. In light of such active demand, our new China-based plant is anticipated to operate at full capacity.

— Petrochemical Market Trends in Japan

The capacity utilization ratio of our Japan-based ethylene cracker remained at 90% throughout the year under review, which reflected relatively favorable conditions in 2010. This ratio indicates that the impact on Japan from the operations of new petrochemical plants in the Middle East and China remains minimal due to the greater-than-expected surges in demand in China that I mentioned previously. In light of this, conditions related to petrochemicals in across Asia are positive.

Against this backdrop, specific movements to eliminate and consolidate crackers have already begun to taper off. Nevertheless, there is an apparent trend towards consolidating general-purpose chemical and plastic operations as well as strengthening highly functional products that highlight the competitive advantages of individual companies.

Consequently, although energetic demand in China has fostered relatively favorable conditions, the impact of this major change persists. Coupled with the effect of the recent disaster, Nagase is striving to establish close ties with petrochemical manufacturers as it accelerates initiatives to secure petrochemical derivatives for its customers.

Note: Nagase's business domains include electronic materials, pharmaceutical intermediates, biotechnology solutions and other fine chemicals as well as plastics and raw materials for paints and cleaning agents used in intermediate products referred to as petrochemical derivatives. Petrochemical derivatives are produced from ethylene, propylene and other basic products that are, in turn, made from the raw

materials of naphtha and natural gas. This fosters a relationship where fluctuations in the supply and demand of basic products can exert an impact on petrochemical derivatives.

Looking Toward the Final Year of “CHANGE” 11

Q In fiscal 2011, Nagase anticipates net sales of ¥660 billion, operating income of ¥18 billion and net income of ¥12 billion. Please share with us the basis of these numerical projections as well as the status of your efforts to realize the basic strategy to improve the quality of business and operations.

The numerical targets for “CHANGE” 11 were formulated amid extremely uncertain economic conditions following the onset of the global recession, which was triggered by a financial crisis in the United States. Despite these difficulties, we achieved our operating income target of ¥15 billion a year ahead of schedule. However, I acknowledge that efforts taken to achieve “CHANGE” 11's basic strategy remain insufficient despite the steady efforts made by all the directors. For example, I believe that there is still room for improvement regarding the speed of business execution compared with our international competitors. Accordingly, we will take steps to accelerate these functions in final year of “CHANGE” 11.

For its part, the Polymer Global Account Department (formerly the Advanced Polymers Department), which handles plastics, will increase business execution speed based on its high ratio of transactions with overseas manufacturers and due to the transfer of its core functions to Singapore.

Despite steady progress made to encourage internal cooperation, there is still room for improvement in essential areas. As a result, we will hold discussions to formulate post-“CHANGE” 11 initiatives that include developing organizational structures that promote a greater degree of dynamic collaboration.

Examining current economic conditions, the recent disaster has affected supplies of important raw materials and core components, while production lines for finished products will likely

take time to return to normal levels. Stagnation in the Japanese economy has further exacerbated this severe operating environment. In spite of these difficulties, we expect to maintain an operating income of ¥18 billion, which is nearly on par with the previous fiscal year. To this end, we will maximize the Nagase Group's competitive advantages in areas that will significantly increase in demand once post-disaster recovery operations gain momentum, including LED lighting, eco-cars, next-generation energy systems and devices, and pharmaceuticals.

Shareholder Returns

Q Nagase has determined that the year-end cash dividend per share will increase ¥6 to ¥22. What were the reasons for this improvement?

Following a change in its income distribution policy, Nagase adheres to a basic policy of making stable dividend payouts to shareholders by further enhancing its earnings power and corporate structure. With due consideration given to the payout ratio and the ratio of dividends to net assets on a consolidated basis, we aim to keep raising our per-share dividend levels. Based on this, the fiscal year-end cash dividend stood at ¥13 per share, exceeding earlier forecasts by ¥4 (in combination with interim cash dividends, annual cash dividends per share totaled ¥22). For the fiscal year ending March 31, 2012, Nagase plans to pay an annual cash dividend of ¥24 per share, an increase of ¥2.

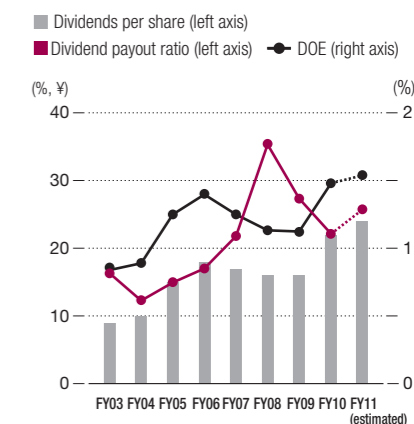
We hope that shareholders will view Nagase's efforts to be a “technology- and intelligence-oriented company that turns wisdom into business” from a medium- to long-term perspective and continue to give us their understanding and support.

July 2011

Hiroshi Nagase
President

“We aim to achieve ¥12 billion in net income in fiscal 2011 by further accelerating the execution of our businesses and taking full advantage of the Nagase Group's competitive edge.”

Dividends

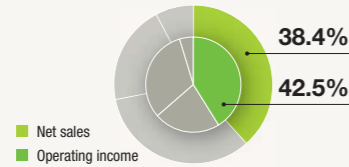


Note: FY03 included a commemorative dividend of ¥1
FY06 included a commemorative dividend of ¥2

Nagase Group at a Glance

*By business scale

Chemicals



Colors & Imaging Department

Whether analog or digital, data that exists anywhere in the world functions as information only when it is made available to people. Mainly involved in the handling of essential chemicals that are the functional materials that connect information and people, the Colors & Imaging Department contributes to society in a wide range of fields. This department is working to move away from simply selling products and, in each of its business areas, toward building a network backed by proprietary proposals that leverage the capabilities of the Nagase Application Workshop (NAW).



Main Products and Services*

Dyes/additives, functional color pigments, functional dyes, digital print processing materials, organic transparent conductive materials, dyestuffs, fiber processing agents

Customer Segments*

Dye/pigment, functional film, thermal toner, printing and printing materials, fiber processing industries

Performance Chemicals Department

A parent department positioned in up-stream petrochemical products, core Nagase materials, the Performance Chemicals Department provides a broad range of goods and services to the global market, from general-purpose petrochemical products to high-value-added products. The department's four mainstay businesses are coating materials, urethane, plastic materials and filters, with each business recognized by the market as a leader in its field.



Main Products and Services*

Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, plastic additives, flame retardants, polymer filters

Customer Segments*

Paint/ink, resin, synthetic fiber, urethane foam and film industries

Speciality Chemicals Department

Building total solutions businesses based on a broad range of downstream and upstream information, the Speciality Chemicals Department supplies intermediates and materials with applications in a range of areas—including industrial oil solutions, plating chemicals, personal care and consumer goods (cosmetics and other household toiletries), water processing agents, photoresist developer, fluorochemicals and silicones. In addition, the department is engaged in a wide array of areas, supplying raw and processed materials for the electronics industry,



which encompasses the semiconductor and visual display fields.

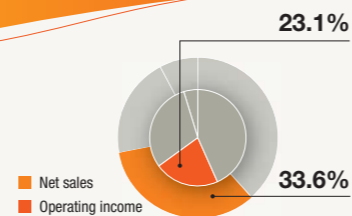
Main Products and Services*

Petrochemical products, raw materials for industrial oil solutions, surfactants and surfactant raw materials, personal care products, plating chemicals, electronics chemicals, fluorochemicals, raw materials for silicone and encapsulants, precision abrasive materials, hard disk-related materials and Nagase ChemteX Corp. products

Customer Segments*

Organic synthesis, surfactant, semiconductor, solar cell industries and HDD-related industries

Plastics



Polymer Global Account Department

The Polymer Global Account Department offers plastics and plastic processed goods, related auxiliaries, equipment and facilities mainly to the office automation (OA), electric and electronics and consumer electronics industries not only in Japan, but also in China and ASEAN countries. The department promotes strategic partnerships with other companies in the Nagase Group in order to focus on the creation of new, plastics-related businesses and business expansion that extends over both domestic and overseas markets.



Main Products and Services*

Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings

Customer Segments*

Office automation (OA) equipment, electronics and consumer electronics industries

Automotive Solutions Department

The Automotive Solutions Department is constructing a uniform service structure in Japan and overseas capable of handling everything from sales of automotive materials, products and equipment to component design, the development of prototypes and the production of moldings. The department also acts as a purchasing agent for its customers' domestic and overseas facilities. In addition to further global development focusing on emerging countries, the department will concentrate on expanding new businesses related to eco-friendly vehicles, including electric automobiles.



Main Products and Services*

Functional resins, general-purpose resins, lightweight components, battery cell modules, rechargers, electronics components, auxiliaries, plastic-related equipment, devices and moldings

Customer Segments*

Automotive industry

Polymer Products Department

The Polymer Products Department has been transforming its business into the development and marketing of unique products, anchored mainly by functional films and sheets and plastic molding products. With the aim of integrating its trading and manufacturing activities, the department has established a process R&D base in the Shanghai region of China. At the same time the department is supporting a structure that, in its own right, functionalizes film sheet, for example sheet forming, surface treatment and secondary processing.



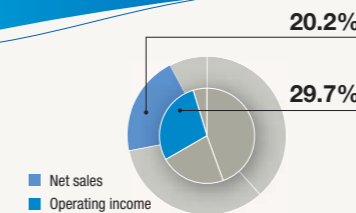
Main Products and Services*

Functional films and sheet, copolyester plastics, surface defect detection machines and plastic molding products

Customer Segments*

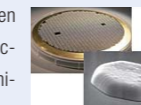
Electronics, toiletries, and functional films and sheet industries

Electronics



Electronic Chemicals Department

The Electronic Chemicals Department, which comprises seven manufacturing companies in Japan and overseas, manufactures and sells modified epoxy resins and high-grade chemicals along with related supply equipment and manufacturing control systems to the semiconductor, liquid crystal, electronic component, automotive and solar cell industries. With overseas operations in China, Taiwan, South Korea, Singapore, Malaysia, Germany and the United States, the department is aggressively expanding with the aim of creating highly profitable businesses that integrate trading company and manufacturing capabilities. Also quick to tackle environmental issues, the department proactively works on solutions that conserve resources and involve recycling.



Main Products and Services*

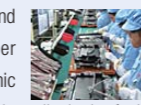
Formulated epoxy resins and related products, chemicals for production of semiconductors and liquid crystals, chemical management equipment for liquid crystal preprocessing and bump molding services through nonelectrolytic plating

Customer Segments*

Liquid crystal, semiconductor, electronic component, heavy electric, automotive, solar battery and other industries

Electronic Materials Department

The Electronic Materials Department leverages its domestic and overseas network to handle sales of optical films and other materials used in liquid crystal displays, materials for electronic paper and touch panels, as well as materials for LEDs and solar cells, both of which are expected to be growth areas. In addition to a traditional trading function, the



department is aggressively developing new businesses overseas, such as optical film and glass processing and the manufacture of LEDs and their associated assemblies.

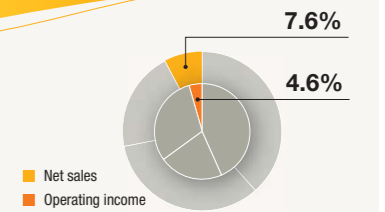
Main Products and Services*

Materials for liquid crystal displays (LCDs) and organic light-emitting diodes (OLEDs), electronic paper-related materials, optical film, processed glass products, back lights, LED chip-related materials and products and their assembling and mounting businesses

Customer Segments*

Display, information and communication device, television, touch panel and LED industries

Life Sciences



Fine Chemicals Department

The Fine Chemicals Department provides a broad range of products and services related to healthcare, food and habitat, such as pharmaceuticals, biotechnology solutions, agricultural chemicals and living environments, in the field of life sciences, which forms one of the key strategic areas throughout the Company. Particular efforts are devoted to developing high-value-added products that leverage the Group's comprehensive strengths in trading, R&D and manufacturing.



Main Products and Services*

Pharmaceuticals (active pharmaceutical ingredients [APIs]), intermediates, raw materials, formulations, excipients), in vitro diagnostics (bulks, instruments & kits), research products, medical equipment, agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (bulks, formulations), animal health products, enzymes, fermentation products, household goods (raw materials, products), functional food ingredients, health food materials, food additives, nutritional supplements, feed, and feed additives

Customer Segments*

Pharmaceutical, in vitro diagnostic, household product, food/feed chemical and agricultural chemical industries

Beauty Care Products Department

In keeping with its business philosophy to provide safe, high-quality products and services that enhance beauty inside and out, the Beauty Care Products Department manufactures and sells cosmetics and health foods led by its rosemary ingredient, which is the result of state-of-the-art research conducted in Japan and overseas. In addition, the department's sales network is comprised of 40,000 personnel who offer advanced counseling and facial care services.



Main Products and Services*

Cosmetics (including skin care counseling and facial care services) and health foods

Customer Segments*

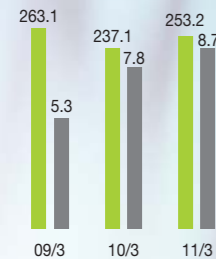
General consumers

Note: On April 1, 2011, the Advanced Polymers Department was abolished and its business operations were merged into the Polymer Products Department and the newly established Polymer Global Account Department. Because the "Others" segment is omitted, figures showing the composition of net sales in each business do not add up to 100%.

Chemicals

Net sales / Operating income

(¥ Billion) ■ Net sales ■ Operating income



Note: The Company has applied "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Operating income numerical values for fiscal 2009 have been modified accordingly.

Colors & Imaging Department



Hiroshi Hanamoto
Executive Officer;
GM, Colors & Imaging Department

Fiscal 2010 Strategies and Results

Implementing "CHANGE" 11 involved the following three objectives: creating a business model that builds on the Nagase Group's competitive advantages; promoting a business model in which additives determine the principal materials; and shifting to businesses Nagase can operate by increasing added value in the areas of manufacturing management and quality control. In fiscal 2010, we made proposals to brand owners in the display, business equipment, and game console industries that have led directly to the creation of new businesses; these are making steady progress. Having advanced the development of overseas products aimed primarily at China, Nagase has received favorable evaluations from overseas users thanks to the Company's quality control program.

Divesting itself from business operations related to "Color Former"—a specialized dye for thermal toner—the Nagase Group achieved a one third share of the world chemicals market by acquiring full ownership of its manufacturing affiliates in the

United States and Japan.

As a result, domestic performance increased slightly compared with the previous fiscal year due to favorable sales in the digital display industry. Overseas performance remained on track despite the impact of exchange rate fluctuations and severe competition caused by stagnation in the thermal toner and digital print processing materials industries.

Strategic Initiatives in Fiscal 2011

In consideration of this department's main business of handling functional materials for mature industries in Japan, we will place a greater focus on developing the following business models: expansion of business fields, the reinforcement of

alliances with strategic partners, and flexible responses to environmental changes. In particular, through Nagase's unique proposals to brand owners, we will further strengthen our close relationships with current partners by promoting market expansion and creation.

In overseas markets that are expected to grow, Nagase will focus on overseas procurement by setting the following objectives: establishing production bases with a focus on M&A and other initiatives; providing added value to the globally expanding thermal toner industry; and by further improving quality control functions that maintain the trust of its partners.

Functional Masterbatch Achieves a 90% Share of the World Market

Functional Masterbatch for polyester films handled by the Chemicals Department is used in LCD televisions, solar batteries and reflective film.



Performance Chemicals Department



Kohei Sato
Executive Officer;
GM, Performance Chemicals
Department

Fiscal 2010 Strategies and Results

In fiscal 2010, we continued to promote the following underlying strategies: the strengthening of overseas businesses and upgrading of infrastructure; the reinforcement of manufacturing functions; and the bolstering of development functions. In the coating material business, we are working to expand overseas businesses centered on global coating teams. Through such actions, Nagase established contract production bases in China for resins used in paint and moved forward with plans to set up a coating laboratory in India. In the Middle East, we are promoting the plastics additives business by upgrading infrastructure in such areas as local logistics functions following the launch of large-scale petrochemicals plants. Closely monitoring emerging markets in the urethane industry, we established a production base in Mexico, an addition to those already built in China

and Indonesia. In the filter business, we are moving forward with the establishment of cleaning facilities in South Korea and Taiwan.

Turning to environmental technologies, we are focusing on developing bio raw materials for use in urethane and coating materials as we investigate the production of bio-based chemicals using the Group's unique technologies.

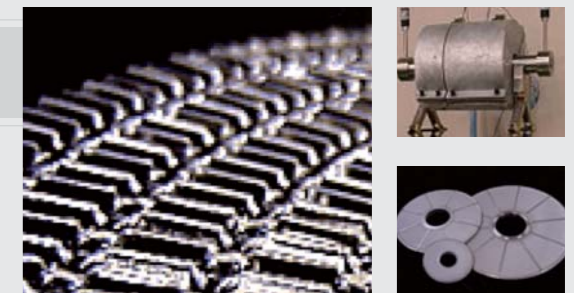
As a result, the Performance Chemicals Department recorded an increase in revenue and earnings in fiscal 2010 owing to the gradual economic recovery in Japan and an ongoing robust expansion of exports being led by Asia.

Strategic Initiatives in Fiscal 2011

With "CHANGE" 11 coming to a conclusion

Rapid Recovery in the Denafilter Business

We anticipate a major increase in sales owing to a strong overseas willingness to engage in capital investment.



Speciality Chemicals Department



Mitsuro Naba
Executive Officer;
GM, Speciality Chemicals Department

Fiscal 2010 Strategies and Results

Speciality Chemicals Department is successfully acquiring new businesses and undertaking new development rooted in customer needs and based on market information. In particular, we are expanding development activities under the keywords "electronics chemicals" and "the environment and energy." Keeping pace with changes in the domestic petrochemical industry, we will build new business models by, for example, securing procurement agreements primarily with Chinese manufacturers, engaging in consignment

production with leading companies, establishing joint ventures and developing value chains on a global scale. In other businesses, we received high acclaim for successfully augmenting the analysis functions of the Shanghai Techno Center.

As a result, the Speciality Chemicals Department experienced a rise in revenue and earnings in fiscal 2010. This result was spurred on by robust demand mainly in the LCD television, personal computer and mobile phone markets in Japan and abroad as well as the development of new themes for battery-related, environmental and other businesses.

Strategic Initiatives in Fiscal 2011

Maintaining both marketing and production functions, the Speciality Chemicals Department set a goal of continuous growth through the provision of high-value added chemicals. To promote businesses that add ever greater value we will:

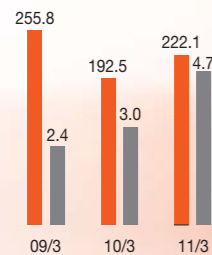
in Fiscal 2011, we will promote dynamic business approaches, including investing in the strengthening of overseas businesses and upgrading of infrastructure; the reinforcement of manufacturing functions; and the bolstering of development functions. In addition, we will further increase our industry presence with the aim of building uniform value chains—from raw material procurement to product manufacturing—by fostering ongoing cooperation within the Group.

Finally, we will concentrate our efforts on building businesses that contribute to society by fully ascertaining the needs of and acting in concert with our business partners.

increase the synergistic effects of the Electronic Media Department acquired in fiscal 2010, which focuses on the handling of inorganic materials; facilitate cooperation with other departments; integrate Nagase ChemteX's manufacturing functions and technologies; and utilize the Group's diverse array of upstream through downstream information. Furthermore, we will focus our energy on developing new products that combine inorganic and organic compounds; promote themes related to the environment and energy under the keywords "environment-friendly chemicals, petroleum-free and natural products;" and engage in the creation of unique technologies and products particularly for the U.S. and European markets.

Net sales / Operating income

(¥ Billion) ■ Net sales ■ Operating income



Note: The Company has applied "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Operating income numerical values for fiscal 2009 have been modified accordingly.

Polymer Global Account Department



Ichiro Wakabayashi
Executive Officer;
GM, Polymer Global Account Department,
CEO, ASEAN Region/India

Fiscal 2010 Strategies and Results

During the fiscal year under review, we actively promoted measures to facilitate the optimal integration of sales, development and manufacturing functions, as outlined in "CHANGE" 11.

In Japan, we revamped the department's sales structure, including the augmentation of management resources in the areas of sales and administration. To this end, we transferred department sales functions to Nagase Plastics Co., Ltd. By strengthening the links between the department and the Company's overseas subsidiaries, we broadened to our global customer base and services primarily in the office automation and electronics industries. At the same time, we added important new functions to assist in formulating plastic sales strategies in Japan and Asia.

In China, we decided to establish the Chengdu branch of Shanghai Hua Chang Trading Co., Ltd., a joint venture composed of Taiwanese and Chinese businesses, in order to tap into demand in China's interior. In the ASEAN region, we upgraded

our representative office in Hanoi, Vietnam to local subsidiary status from the beginning of 2010 to improve our sales structure in this growth market.

In terms of the department's development and manufacturing functions, we relocated Setsunan Kasei Co., Ltd. to Izumi City, Osaka Prefecture in October 2010. This relocation enabled us to add a raft of capabilities—related to the environment, Functional Masterbatch, super-engineering plastics and recycling—to Setsunan Kasei's current consignment compounding operations for plastic manufacturers, allowing us to maximize the technological support functions of the Company's networks and the Nagase Application Workshop (NAW). This initiative will greatly assist us in providing materials that meet customer needs. In the ASEAN region, the stable performance of Dainichiseika Color & Chemicals Mfg., Co., Ltd. and its joint venture company, Dainichi Color Vietnam Co., Ltd., are contributing to Nagase's consolidated results.

As a result of the above, the Polymer Global Account Department recorded increases in revenue and earnings in fiscal 2010.

Strategic Initiatives in Fiscal 2011

Japanese companies began venturing into the overseas market in earnest between 1990 and 2000. This trend was spurred on by greater infrastructure development in China. Consequently,

the volume of plastic sold overseas is now greater than that in Japan. Against this backdrop, we are actively taking steps to optimally integrate sales, development and manufacturing functions on a global scale.

In fiscal 2011, we will continue the globalization of the department's business management by strengthening the sales structure of our bases in Japan, China and the ASEAN region. This initiative will be undertaken with a view to developing decision-making functions that closely reflect market conditions. As a first step, the department's core functions will be transferred to Singapore in order to manage its businesses in Japan, China and the ASEAN region from an overseas perspective.

We will work to maximize consolidated earnings through the following measures: continuing to direct sales functions in Japan toward domestic sales to global companies; expanding operating bases in China's interior to tap into demand in that country; and introducing management resources rooted in our operations in the ASEAN region and India to the growth areas of India, Indonesia and Vietnam.

Automotive Solutions Department



Kenji Asakura
Executive Officer;
GM, Automotive Solutions Department
and Nagoya Branch Office

Fiscal 2010 Strategies and Results

In the Automotive Solutions Department, the development of materials for eco-friendly vehicles and the early launch of components businesses are goals outlined in "CHANGE" 11 that must be achieved. In fiscal 2010, the automotive industry underwent a dramatic recovery spurred on by increases in production in emerging countries, led by China and India. In Japan, component sales were strong owing to increased shipments of hybrid vehicles. Accompanying a rise in the ratio of business conducted overseas, the Automotive Solutions Department took steps to increase personnel in China and Southeast Asia during the

fiscal year under review. In addition, we established a subsidiary in Mexico to bolster the support structure for our North American automotive business.

In the electronics business, we focused on the development of new products by aggressively financing business ventures related to components. Having first entered the battery module business in fiscal 2009, we made steady progress in development and prototype testing while moving forward with our decision to build a new plant to expand production.

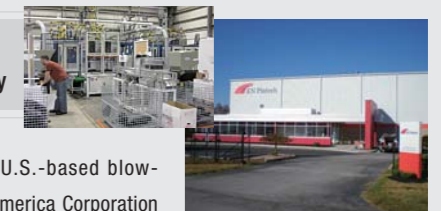
As a result, the Automotive Solutions Department experienced a rise in revenues and earnings due to a significant increase in sales to major components

manufacturers during the second half of fiscal 2010.

Strategic Initiatives in Fiscal 2011

Amid the significant business opportunities expected in such areas as components for storage batteries, rechargers and power modules, we will concentrate on steadily implementing related investment plans and building businesses responsive to new market needs. In our plastics-related business, we will focus our efforts on developing highly functional plastics as we provide customers not only with raw materials, but also high-value-added films and other products.

Electric Vehicles and Hybrid Electric Vehicles (HEV) Driving Change in the Automobile Society



We have begun commercial production at our U.S.-based blow-formed component plant operated by KN Plotech America Corporation thanks to the on-schedule installation of equipment and facilities.

Polymer Products Department



Kenji Nagafusa
Executive Officer;
GM, Polymer Products Department

Fiscal 2010 Strategies and Results

In fiscal 2010, although worldwide standards were successfully established for applications of Sun Delta Corporation's SunMorfee V insulating sheet in televisions and power supply devices, competition increased in severity following the release of similar products. Thanks to the introduction of new functions the market share of Nagase's Scantec® film-sheet surface-defect inspection system increased in spite of somewhat subdued market conditions.

Specializing in development and sales through the selection and concentration of functional film sheets, we are close to completing original products that use Eastman Chemical Company copolyester as a raw material.

As a result, Polymer Products Department performance in fiscal 2010 did not meet projections due to fiercer competition.

Strategic Initiatives in Fiscal 2011

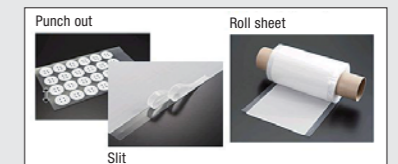
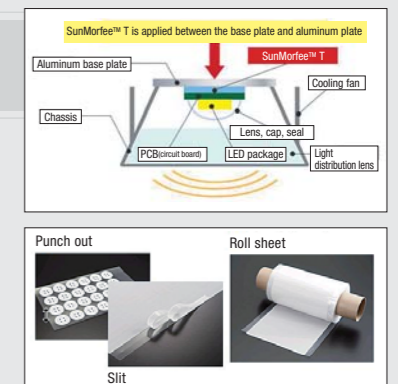
In fiscal 2011, we will keep our sights set firmly on the ongoing design, development and release of new functional films and sheets as well as plastic molding products. We will also cooperate with Nagase ChemteX Corp. and other departments to continue developing our global marketing capabilities. By focusing on our technological development base in Shanghai, we will promote the accumulation of technologies and technical information within the Group. At the same time, we will construct a framework that will enable us to finalize the development of compounds, moldings, coat-

ings and composite processing within the Group by promoting technological exchanges with Setsunan Kasei Co., Ltd. and other affiliated plastics manufacturers.

As focus markets, we will develop potential growth areas related to the environment and energy (peripheral materials for LED lighting and battery chargers) and Life Sciences (materials for medical applications and cosmetics). Such initiatives will be undertaken in concert with our efforts to expand conventional electronics, toiletries and functional films and sheets.

Expanding Applications for SunMorfee T Primarily in LED Lighting

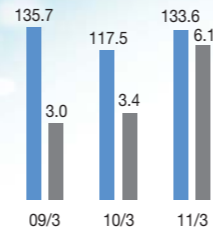
Following SunMorfee V—the eco-friendly flame retardant polycarbonate insulating sheet (film) that boasts the world's highest flame retardant properties while containing no brominated or phosphorus flame retardant agents—applications of silicon-free, heat-conducting SunMorfee T sheets are expanding mainly in the field of LED lighting.



Electronics

Net sales / Operating income

(¥ Billion) Net sales Operating income



Note: The Company has applied "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Operating income numerical values for fiscal 2009 have been modified accordingly.

Electronic Chemicals Department



Tomitaka Ito
Executive Officer;
GM, Electronic Chemicals Department

Fiscal 2010 Strategies and Results

The Electronic Chemicals Department set the goal of establishing a new business model as a trading company that has maker's capabilities, as outlined in the medium-term management plan, "CHANGE" II. The Nagase Group manufacturing company Nagase ChemteX Corp. and the modified epoxy resin business have developed

sheet and liquid encapsulation materials over many years, applying them to a wide array of components for HEVs and electric vehicles as well as smartphones



Liquid resin materials for semiconductor encapsulation

and other mobile devices. In the environmental business, we are using formulated epoxy resins in fields related to wind and solar cell power generation. In particular, in response to rising sales of liquid resin materials for semiconductor encapsulation to Europe and the ASEAN region as well as Taiwan and other countries, we will further promote the globalization of the epoxy business, thus cultivating a major pillar of the Electronic Chemicals Department.

Moreover, our chemicals business has steadily increased output at its production plant located in Sharp Corporation's "Green Front Sakai" complex.

As a result, the Electronic Chemicals Department recorded improvements in both revenue and earnings during fiscal 2010.

Strategic Initiatives in Fiscal 2011

In fiscal 2011, we will restructure our organization from one currently categorized by products to one organized along industry lines; focus closely on semiconductor post-processing operations; and consolidate Nagase's key elemental epoxy, Photosensitive material and junction technologies in three-dimensional mounting, for which further innovations are expected.

semiconductor industries.

Strategic Initiatives in Fiscal 2011

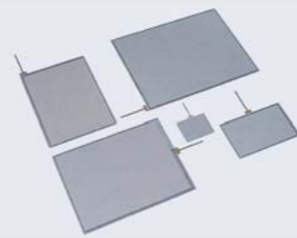
In fiscal 2011, we will make every effort to promptly anticipate changes in the market structure and environment in our core displays and touch panel businesses. Based on this, we will strengthen our unique solution services, including LED backlight production and glass processing capabilities. Furthermore, we will promote the strengthening of LED-related businesses to contribute to the global environment and society.

In the area of "the environment and energy" we promoted the expansion of LED-related material sales and the mounting/assembly businesses. At the same time, we focused on the sale of crystal-type solar battery materials and the establishment of the processing business.

As a result of the aforementioned initiatives, the Electronic Materials Department experienced decreases in revenue and earnings due to changes in materials that took place in the HDD-related business. This result occurred despite a recovery in its main business areas, the display and

Major Growth of LED Backlights for Big Screen TVs

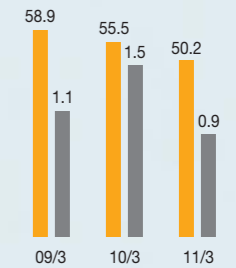
Touch panel markets along with processes for producing slimmer panels are continuing to expand in response to increasing global demand for smartphones, touch panel terminals and other related devices.



Life Sciences

Net sales / Operating income

(¥ Billion) Net sales Operating income



Note: The Company has applied "Accounting Standard for Disclosures about the Segments of an Enterprise and Related Information" from fiscal 2010. Operating income numerical values for fiscal 2009 have been modified accordingly.

Fine Chemicals Department



Mitsuru Kanno
GM,
Fine Chemicals Department

Fiscal 2010 Strategies and Results

In fiscal 2010, we established a pharmaceutical administration office to further reinforce our product testing and pharmaceutical quality evaluation structure; this move has achieved tangible results. In addition, we invested in TAGCYX Biotechnologies, which boasts unique technologies related to nucleic acid drugs used in place of low-molecular medicine. In the biotechnology business, we selected

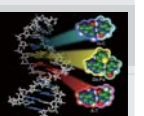
commercialization-related themes through the establishment of a Bio Solution Team (BST) to develop businesses using biotechnologies.

Despite a lack of major changes in core product sales, the Fine Chemicals Department recorded a decline in revenue and earnings caused primarily by delayed sales of developed items, the withdrawal from unprofitable businesses and the impact of exchange rate fluctuations.

Strategic Initiatives in Fiscal 2011

In the pharmaceutical business, we will establish strategy teams to promote cooperation between Group companies with the aim of developing areas that place Nagase apart from its competitors. The department will take the initiative within the Group in such actions as introducing new technology,

Launching Next-Generation Nucleic Acid Drugs



We began developing joint business operations with TAGCYX Biotechnologies, a biotechnology venture company that possesses unique nucleic acid stabilization and artificial base pair technologies. By linking our technologies and commercializing our manufacturing operations, we are supporting the creation of new, groundbreaking medicines by pharmaceutical manufacturers.

bolstering overseas production bases and engaging in capital investment. In the biotechnology business, we will refine commercialization themes centered on the BST (which was established in 2010), monitor operations at Nagase ChemteX Corp.'s new enzyme production plant and focus on the marketing of new products.

Electronic Materials Department



Masatoshi Kamada
GM,
Electronic Materials Department

Fiscal 2010 Strategies and Results

In fiscal 2010, the Electronic Materials Department redoubled its domestic and overseas sales activities in the display industry for optical films, touch panel and LCD backlight modules while enhancing the production and processing business.

In the semiconductor wafer and HDD-related fields, we focused on providing products and services demanded by customers while working to develop new businesses amid market expansion in the highly functional mobile device market. We also promoted the development of new businesses.

Beauty Care Products Department



Takaaki Hirai
Executive Officer;
GM, Beauty Care Products Department

Fiscal 2010 Strategies and Results

In fiscal 2010, the cosmetics and health food market conditions remained severe with no improvement seen in sluggish consumer spending. Consequently, the Beauty Care Products Department devised business strategies to counter these difficult circumstances. These strategies included: accelerating the cultivation of distributors through sales system improvements, which were begun in April 2011; developing new advertising and increasing awareness of its updated brand image; boosting

sales of recently released products; conducting test marketing using mail order sales channels; and commencing retail sales in Dalian, China.

As a result, the Beauty Care Products Department experienced a rise in revenue thanks to the impact of new product releases. In contrast, earnings fell following an increase in business investment.

Strategic Initiatives in Fiscal 2011

In fiscal 2011, although consumer spending is

expected to remain sluggish, we will implement measures focusing on expanding the door-to-door sales business in Japan that include: releasing new products; continuing efforts to expand advertising and improve brand image; accelerating distributor cultivation; and tapping into key regions using headquarters-led development teams. Moreover, we will promote ongoing market development in markets showing noticeable growth in China.

Nagase Releases Inner Act, a New Health Food Product that Supports Modern People's Health and Beauty

Inner Act is blended with seaweed polyphenols, including *Ecklonia kurome*, and the notable soybean-based ingredient, phospholipid (PIPS), which is produced utilizing Nagase's proprietary enzyme technologies.



■ Self Medics Inner Act
15.6g (30 packets, each containing two 260mg pills); ¥8,000
Main ingredients include seaweed polyphenols, PIPS, rosemary extract and rosehip extract

One area, one goal and original business created by knowledge and enthusiasm



Osamu Morishita
 Executive Officer;
 CEO, China

Nagase's Greater China Business consists of 9 sales companies, 11 branches and offices, 11 manufacturing companies and 4 service/management companies located in China, Taiwan and Hong Kong. With approximately 2,100 Group employees forming the foundation of these operations, business expansion is centered on chemicals, life sciences, plastics, automobiles and electronics. Under the theme of making deeper inroads into the growing Chinese market, we are undertaking market development that extends the provision of quality information, service and distribution networks from coastal China to the country's midwestern and northeastern regions.

Fiscal 2010 Strategies and Results

In fiscal 2010, we experienced business growth in internal Chinese markets as well as breakthroughs in our local manufacturing facilities and each service business. Such positive results were spurred on by a recovery from the Lehman Shock and by China having displaced Japan as the world's second largest economy. As a result, net sales rose 10.1%* year on year to ¥159.48 billion. Moreover, we focused on expanding the area covered by our business operations by establishing new bases in Nanjing, Tsingtao and Chongqing. Consequently, our share of domestic sales in China, Taiwan and Hong Kong exceeded 40% in fiscal 2010. Turning to core business development, we built a sales structure for solar cell-related components, focused on life sciences businesses, invested in facilities to produce synthetic chemicals on consignment and drew on our analytical capabilities to develop new suppliers.

One of the key roles of Nagase's overseas subsidiaries is to follow up on business transfers as Japanese companies relocate their production activities overseas. We also focused on the expansion of the so-called "local specs in business," the carrying out of local business operations at local subsidiaries. At the same time, we prioritized direct sales of products to businesses based in China, Taiwan and Hong Kong through our own local businesses. As the driving force behind these activities, we are deepening our relationship with leading companies in this market (including makers of electronics, chemicals and EMS) owing primarily to the efforts of our local staff, under a policy of promoting diversity. Consequently, we have made noticeable progress in our efforts to build connections with businesses engaged in high-performance materials and fine chemicals as well as those related to energy (power generation, power saving, transmission and storage sectors).

*Net sales in the Greater China Business include a portion of those for South Korea.

Planned Operation of a New Value-Added Synthetic Chemical Trustee Company

In addition to providing high-value services that include assisting in the supply of raw materials to Japanese manufacturers, engaging in chemical raw material import and export, evaluation and analysis, and property testing before shipping, we plan to commence operations of a new, value-added synthetic chemical trustee company. Through this new company, we are taking steps to upgrade a structure that supplies, to Japanese standards, small lots of high-quality, highly functional chemical raw materials and intermediates that are difficult to procure locally.

Strategies in Fiscal 2011

Under the slogan of "One area, one goal and original business created by knowledge and enthusiasm," we are aiming to expand the dimensions of our original business we introduced into China by collaborating with contacts in China, Hong Kong, Taiwan, Japan and other areas. Focusing on the Chinese market, with its high growth potential, we will concentrate on the core segments—automotive components, electronics and fine chemicals—as well as such environment-related fields as solar power and LED lighting.

To further accelerate the expansion of our business structure from that of an agency to one providing multiple services with manufacturing capabilities, we will proactively seek possibilities for new investments in promising areas, while leveraging the capabilities of Group manufacturing companies. In addition, we will promote the chemicals, electronics/automotive materials and life sciences businesses to make significant progress in developing ties with the Japanese market and deepening our presence in local Chinese markets.

With a view to augmenting standardized operations and administration between Nagase's headquarters and local subsidiaries, we have newly established Nagase Business Management and Planning (Shanghai) Co., Ltd., the lynchpin of our efforts to cultivate executive officer candidates among local staff, to strengthen integrated risk management and IT infrastructure functions, and to support the expansion of our businesses in China.



Ichiro Wakabayashi
 Executive Officer;
 CEO, ASEAN Region/India;
 GM, Polymer Global
 Account Department

Building upon the ASEAN business' existing framework, we are carrying out regional business strategies through eight sales companies, seven branches and offices, and seven manufacturing companies, which encompass the Middle East, India and the nine countries that comprise Oceania. In particular, we have established key bases in Indonesia, Vietnam and India, where ongoing development is expected. Against the backdrop of this broad Group network platform and the rapidly expanding ASEAN Free Trade Agreement, we will develop locally directed businesses in concert with upgrades to our overall operations.

Fiscal 2010 Strategies and Results

In fiscal 2010, we strengthened our manufacturing functions and risk management while promoting globalization and the development of businesses related to the environment and energy.

With regard to the strengthening of our manufacturing functions, we applied the expertise of Nagase FineChem Singapore (Pte) Ltd. (NFCS), which is unrivaled in the ASEAN region owing to its combined general electronic chemicals manufacturing and recycling facilities. Consequently, we are branching out from the electronic chemicals industry and entering the pharmaceutical and semiconductor industries. At the same time, we will expand business themes focused on the environment- and energy-related businesses. In Malaysia, we commenced and expect to ramp up operations at our dry film processing plant. We expanded the facilities at Dainichi Color Vietnam Co., Ltd. our Vietnam-based joint venture that manufactures plastic compounds, where performance is steadily increasing. In India, we invested in a local manufacturing intermediary, ZCL Chemicals Ltd., with the aim of expanding pharmaceutical- and agricultural chemical-related businesses. With the goal of expanding high-value-added businesses that highlight Nagase's strengths, we established a paint and coating laboratory while providing comprehensive support in the areas of paint compound testing, analysis and evaluation.

In our efforts to strengthen risk management, we investigated and upgraded each region's business continuity plan (BCP) following political unrest in Thailand. Taking advantage of experience gained during the worldwide recession, we worked to reduce long-term inventories and holding claims. In anticipation of further business globalization, we began developing a core unified, Asia-wide management system that includes Greater China Business. With the system scheduled to be introduced in 2013, we are taking steps to standardize management operations and, in turn, augment compliance.

Turning to our efforts to promote globalization, our businesses in the Middle East are growing, especially for chemicals. However, we are redoubling our credit and recall management in light of the recent political instability that has gripped this region. In addition, we have established a branch office of Nagase Singapore (Pte) Ltd. in Australia with a view to expanding into new markets. Accordingly, we are strengthening our ability to meet customer needs and expand our business operations in this market, drawing on the new branch's capabilities that will enable us to undertake inventory sales in Australia.

Designed to maximize the potential of our involvement in the environment and energy field, we are steadily refining themes particularly for developing

solar battery-related businesses. We will also focus on bringing to fruition businesses related to wind power generation, recycling and palm oil.

In fiscal 2010, the ASEAN & the Middle East Business recorded a 13.9% year-on-year rise in net sales to ¥77.14 billion. Although they remained below pre-recession levels, consistently high economic growth rates in Asia were a major factor in this result.

Strategies in Fiscal 2011

In fiscal 2011, we will focus on realizing businesses derived from themes we developed in fiscal 2009 and fiscal 2010, the first two years of "CHANGE" II. Specifically, we will move ahead with high-value-added businesses related to solar batteries and wind power generation in the "environment and energy" area, concentrating primarily on NFCS's recycling operations and Nagase ChemteX products.

As part of our regional strategies, we will examine the possibility of establishing businesses in such emerging markets as Myanmar and Cambodia as well as in Africa to complement our efforts undertaken as a matter of course to foster business opportunities in Australia and New Zealand. Moreover, executive officers will be transferred from Tokyo to Singapore in order to implement global business strategies involving Nagase's new plastics and plastic-related products. Through these initiatives, we will accelerate the transformation of the ASEAN & the Middle East Business into a global account- and global market-oriented business.

Sales Base Established in Melbourne, Australia
 (center of photograph)

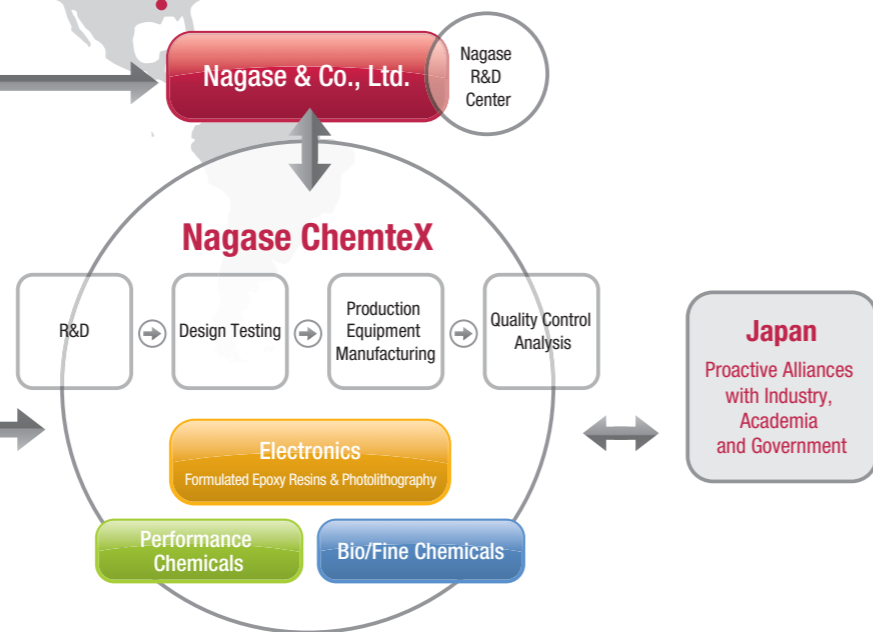
We are taking on new challenges by creating businesses in developed markets rather than following the overseas market penetration model traditionally favored by Japanese companies. By maximizing Nagase's strengths and bolstering life sciences businesses, we are developing the Oceania market for chemicals, plastics and electronics.

Nagase ChemteX



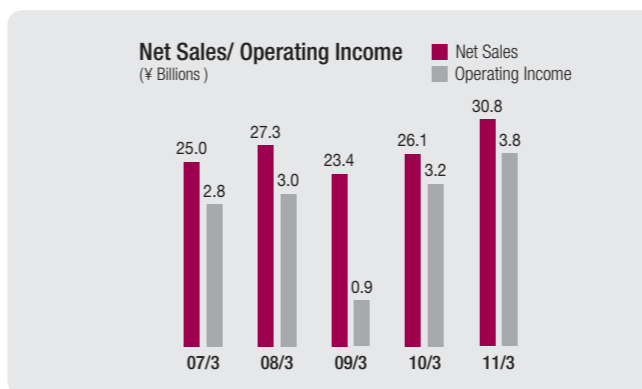
Nagase ChemteX Corp. occupies the central role in Group manufacturing. Leveraging our long-accumulated, proprietary technologies of synthesis, compounding, biotechnology and evaluation, we have developed a variety of products and have become a unique chemical maker with a high market share of a number of items. Deepening and integrating these core technologies, we have achieved new product development capabilities that correspond with user needs and high technological strength to meet demand for the small-quantity production of diversified products. By enhancing our manufacturing capabilities, we develop and offer high-performance, high-value-added products to the electronics, life sciences, environment and automotive fields based on a relationship of trust with customers. In the environmental field in particular, we are expanding the commercialization of, for example, chemical recycling and formulated epoxy resins. In addition, we are playing a leading role as a Group manufacturer in terms of safety and hygiene, environment-oriented responses and legal administration.

Globally Expanding
Nagase Group



Fiscal 2010 Performance

In fiscal 2010, net sales rose 18% year on year to ¥30.86 billion, while operating income increased 19% to ¥3.82 billion. Sales in the life sciences business remained on par with the previous fiscal year, but growth in sales of products for the electronics industry, such as those for flat-panel displays (FPDs) as well as smartphones and other mobile devices, resulted in substantially increased revenue. Significant gains on the earnings front were due to particularly favorable sales of high-value-added products, chiefly for electronic materials.



Production Structure

We bolstered the production structure of the Harima Plant, which produces electronics-related materials, thanks to extremely favorable sales for materials used in LCDs and smartphones. In addition, we expanded production facilities for organic conductive materials, revamped epichlorohydrin derivative production equipment and upgraded manufacturing operations of formulated epoxy resins. At the Fukuchiyama Plant, which produces items related to life sciences, we worked to maintain stable production levels and completed an overhaul of our existing product lines. Moreover, activities designed to encourage energy reduction, safety and hygiene at all our offices produced results. Finally, we commenced a five-year plan that establishes a grand design for rebuilding and expanding facilities and structures at the Harima and Fukuchiyama plants.

Overseas, we augmented our formulated epoxy resin manufacturing facilities at Nagase ChemteX (Wuxi) Corp. in China and began producing chemicals used in electronics.



Image of the new formulated epoxy resin production plant

R&D Structure

Nagase ChemteX's R&D structure, which employs a total of 140 staff members, comprises product development teams

within divisions as well as an R&D Division working companywide.

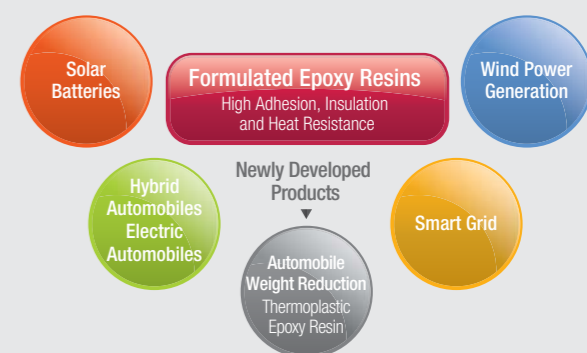
In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. In the electronics field, we proactively engaged in such areas as optoelectronics materials, organic/inorganic hybrid materials, nanotechnology materials, conductive materials and environmentally conscious plastics. Particularly in terms of nanotechnology materials, we created technology that maintains nano particles at a high level before dispersal. Nano particle dispersal elements made with this technology have a wide array of applications and garner high ratings. When selecting development themes, we utilize Nagase's sales departments to assess market needs, taking advantage of synergies by coordinating R&D with trading company functions.

Business Overview of Fiscal 2010

Electronics & Structural Materials

The Electronics & Structural Materials business carries out product development to manufacture a wide variety of products based on its advanced epoxy formulation technology. In the electronics business, demand for epoxy sheet for mobile phones is growing, and we are making progress on commercializing new packages for our liquid semiconductor encapsulant. In the environmental energy field, we have acquired new business by promoting the reduced weight, durability and recyclability of our products for all applications—such as solar batteries, wind power generators, smart grid heavy electric machinery, automobile fiber reinforced plastic (FRP) parts, hybrid cars and electronic paper. Our adhesive for solar batteries has entered full-scale production and we have begun deliveries of resins for use in the rotors of wind power generators. Furthermore, having received recognition from a major European customer in the heavy electric field, we have commenced the global deployment of our heavy electric machinery materials.

Environmental Energy Field in Formulated Epoxy Resins



■ Electronics Chemicals

The Electronics Chemicals business develops a broad array of photolithography chemicals for the semiconductor and liquid crystal industries. Specifically, we are working to acquire a significant share of the stripping agent and developer markets. In fiscal 2010, we recorded robust sales for products used in LCD televisions and smartphones. Our chemicals plant located in Sharp's "Green Front Sakai," acquired ISO14000 and OHSAS certification. At the same time, we established people- and environment-friendly systems at this facility and increased production under a structure that maintains safe, stable operations. In the field of photosensitive agents, we achieved global expansion with businesses related to photoresist developers used in laser direct patterning masks. In terms of our development activities, we constructed a new evaluation laboratory in partnership with the French company Alchimier, which possesses revolutionary TSV three-dimensional mounting technology. Through this initiative, we completed our development structure.



Electronics evaluation facilities

■ Functional Chemicals

We aggressively developed and increased sales for products in the electronics field while developing new applications for special acrylic ester copolymer, high-functional fluorene derivatives, denatron electroconductive polymer and liquid crystal raw materials, all of which sold steadily. We also released low-chlorinated, high-purity epoxy products and undertook the global expansion of the epichlorohydrin derivatives business in the tire cord market. Owing to the success of our marketing activities in Europe and Asia, we have expanded our business operations.

■ Bio/Fine Chemicals

In the enzyme business, we commenced sales and expanded business in new enzymes to meet customer needs, thanks to our actinomycete high-expression technology. We also expanded our lineup of phospholipid products, which utilize our proprietary phospholipid converting enzyme, and made progress in the market development of applications for health foods and cosmetics. Our



Actinomycete

efforts to generate new applications for active pharmaceutical ingredients and intermediates enabled us to increase the number of contract production items and promote the development of unnatural amino acids. In addition, we obtained FDA certification at the Fukuchiyama Plant.

Strategic Initiatives in Fiscal 2011

Under "CHANGE" 11, the medium-term management plan that started in fiscal 2009, we will further reinforce our management platforms in keeping with each group's basic policies.

We are aggressively undertaking measures with the aim of maintaining sustainable growth. Regarding our R&D activities, we are striving to build a new management structure by strengthening links with other companies and universities. We are also promoting global business expansion by effectively utilizing the Nagase Group's overseas network and wealth of information.

By employing capital investment in an enterprising way both in Japan and overseas, we will make every effort to consolidate our production foundation as a company that focuses on safe business operations, production technology and quality assurance. We will fulfill our central role in the Nagase Group's R&D and manufacturing functions.

In other R&D activities, we are meeting a wide array of needs by leveraging numerous elemental technologies that form the basis of our core technologies, strengthening our ability to develop unique technologies and creating new businesses and products. To achieve this aim, we have integrated the Harima Plant's development capabilities within the Functional Material Development Department. Finally, we will engage in flexible and rapid development activities by reinforcing our partnerships with other companies and universities.

Nagase R&D Center



The mission of the Nagase R&D Center is to develop a technology platform that backs up the Nagase Group's future business and to act as a driving force in maximizing business performance related to the life sciences. The Center will continue to energetically offer and provide the market with technological solutions.

Core Technologies and Main Research Themes at the Nagase R&D Center

1. Process development technologies

- ① Develop production methods for unnatural amino acids by utilizing Maruoka Catalyst™ (asymmetric phase-transfer catalyst)
- ② Develop functional peptides utilizing chiral compounding technologies

2. Biotechnology (microorganisms, enzymes)

- ① Identify new enzymes through a ready-to-use microorganism and genome library
- ② Achieve highly efficient protein production by utilizing genetic engineering
- ③ Produce substances by utilizing enzymatic reaction technologies
- ④ Develop various chemicals by utilizing genetically modified microbes

3. Natural materials development and application technologies

- ① Identify and evaluate new ingredients for health foods and cosmetics
- ② Develop formulation methods for cosmetics and health foods

4. Drug discovery support technologies

- ① Develop nucleic acid-related technology in cooperation with TagCyx Biotechnologies
- ② Develop applications for adhesamine derivatives in the field of regenerative medicine
- ③ Develop reagent for receptors in humans in the diagnostic and evaluation fields

5. Analysis and evaluation technologies

- ① Analyze imported active pharmaceutical ingredients according to the Japanese Pharmacopeia in compliance with GMP standards and establish specifications

Achievements in Fiscal 2010

Product Development

- ① Expansion of the pharmaceutical intermediate contract production business based on unnatural amino acid technology
- ② Launch of a new, actinomycete-derived enzyme (glucanase)
- ③ Launch of a health food Inner Act and the cosmetic Repair Rhythm Mask



Technological Results

- ① Establishment of functional amino acid production method
- ② Cultivation of actinomycete high-expression technology using a newly discovered strength promoter
- ③ Acquisition of bioinformatics technology
- ④ Development of dermal melatonin receptor manifestation accelerators

Intellectual Property Administration and Usage

To administer and use intellectual property from R&D through activities, the Nagase R&D Center strategically engages in the acquisition of intellectual property rights for research results jointly with the Intellectual Property Office as well as the establishment of new companies based on projects undertaken by business departments and affiliated companies.

	During Fiscal 2010		Cumulative Total (as of March 31, 2011)	
	In Japan	Overseas ⁽²⁾	In Japan	Overseas
Patent rights established ⁽¹⁾	16	0	802	391
Patent rights established ⁽¹⁾	10	9	172	183

(1) The number of patents in the name of the Nagase R&D Center. Licenses and other intellectual property rights are not included.

(2) The above patents include applications for international patents.

Strategic Initiatives in Fiscal 2011

On the product development front, the Nagase R&D Center is making a significant contribution to related departments as well as to related maker Nagase ChemteX, helping to realize the goals of the "CHANGE" 11 medium-term management plan.

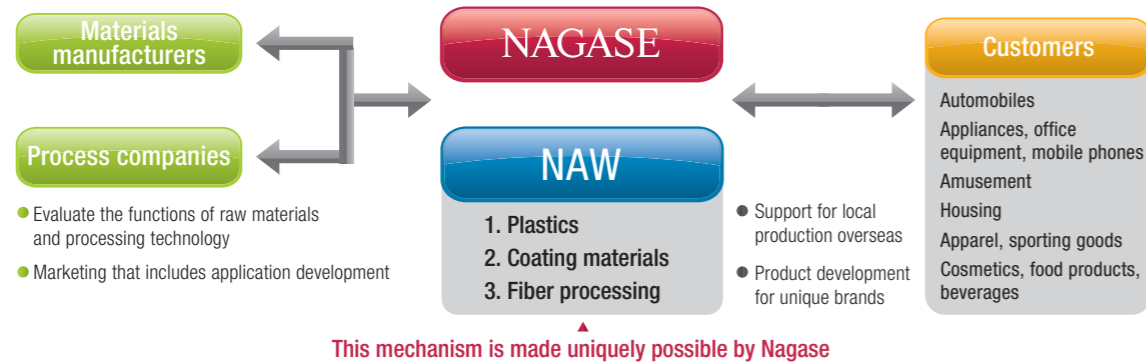
In fiscal 2011, we will place the top priority on the launch of several new enzyme products and build connections for the natural amino acid contract production business. In technological development, we will leverage microorganism and biotechnology-related technologies, which have been cultivated for 70 years, to further explore their diverse use in the life sciences, environment and energy fields. Simultaneously, we will take the initiative in creating new businesses with our proprietary actinomycete technology. Furthermore, with the aim of accelerating R&D activities, we are creating a strong tie-up with Kobe University and other outside institutions to bring about open innovation.



Nagase Application Workshop



The Nagase Application Workshop (NAW) facility is where, jointly with customers, we engage in activities that range from function and application development of raw materials related to plastics, coating materials and fiber processing to the formulation development of finished products that use such raw materials. NAW was born of necessity in the course of adding R&D, manufacturing and processing functions to our conventional base as a trading company. Accordingly, NAW is an important tool for advancing a switch from our previous sales model that focused on materials exploration to one that is driven by application proposals and joint development. In offering such technological support, NAW is providing unparalleled functions that only Nagase is capable of providing.



Principal Functions

1. Plastics



Formula design function carried out by expert technicians, test production of compounds centered on a twin-screw extruder, properties assessed using all types of assessment equipment

(Equipment)

- Twin-screw extruders (15mm long/D=45 and 26mm/D=64)
- Single-screw extruder (20mm) / Injection molding machines (80t and 110t)
- Henschel mixers (small, medium), etc.

2. Coating Materials



Coating and ink composition design function carried out by expert technicians, test production of coatings and inks using all types of assessment equipment, properties assessed using all types of assessment equipment

(Equipment)

- Two painting booths
- Dispenser (paint conditioner, bead mill)
- UV curing system

3. Fiber Processing



Dye composition design suited to various fiber materials carried out by expert technicians, dyeing testing carried out by machine, properties assessed using all types of assessment equipment

(Equipment)

- Mimicolor dyeing machine, shaking-type dyeing machine, printing screens

Results from Solutions Proposed

1. Plastics

- Development of electrically conductive plastics, primarily carbon nanotube
- Development of PC plastic formulas for LED lighting
- Development of automotive polypropylene materials, etc.
- Developed green plastic, increased recycled plastic capabilities

Fiscal 2010 Sales Results

¥150 Million

2. Coating Materials

- Development of coating materials for thermal paper
- Acquisition of new export trade rights for coating raw materials
- Began newly importing coatings, etc.

¥100 Million

3. Fiber Processing

- Technology development for the digital printing sector
- Development of own products for new synthetic fibers
- Development of automotive interior dyes
- Supported overseas production by apparel makers

¥80 Million

Future Priority Areas and Project Themes

Priority Areas

- Development of eco-friendly materials (plastics sector)
- Development of eco-friendly materials (coatings sector)
- Development of a next-generation dyeing system
- Development of high-performance plastics in niche sectors
- Color design marketing

Project Theme Examples

- Recycling, biomaterials
- Reduced use of oil
- Digital printing
- High thermal conductivity, heat release, electrical conductivity
- New decoration technologies

CSR Management

Management Philosophy

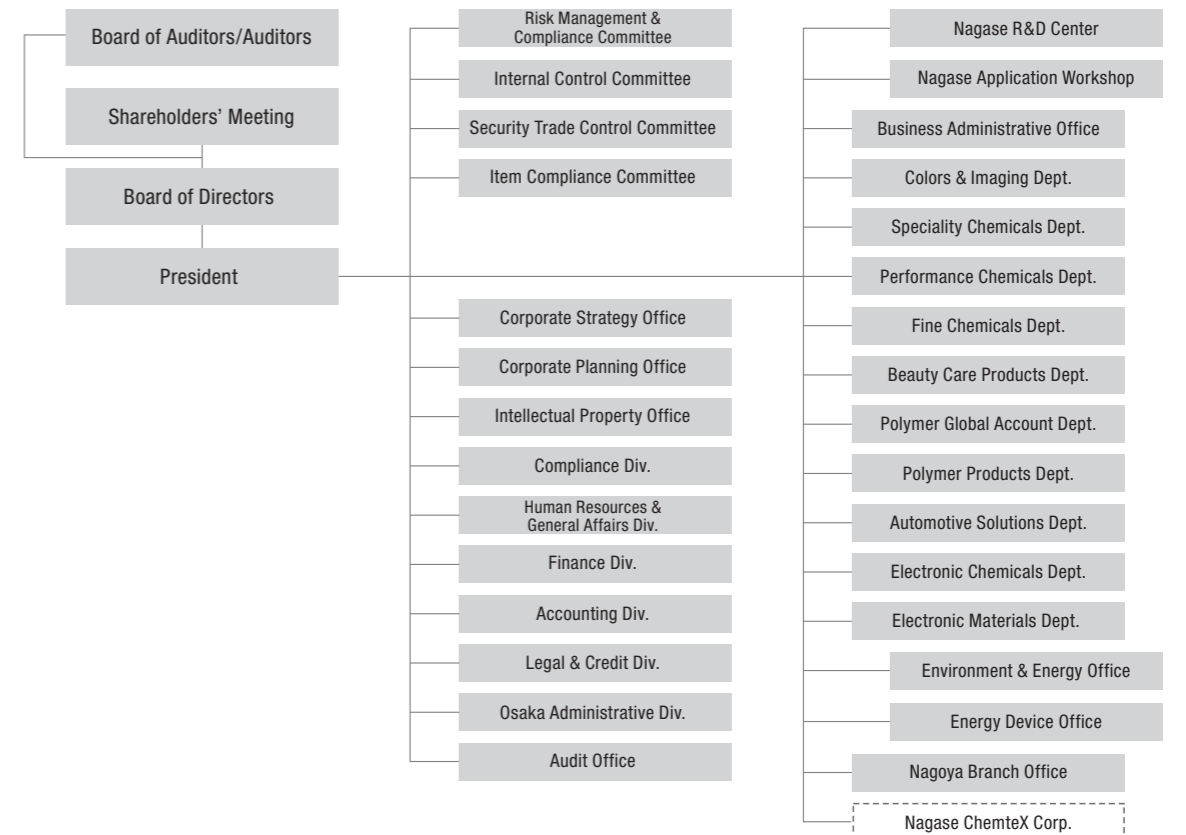
“Maintain Good and Fair Business Practices”

The Nagase Group is a member of world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees.

“The Nagase Way” Action Principles

1. Always be customer-oriented.
2. Always be a creative challenger.
3. Always use the power of the Nagase Group.
4. Always think globally and act locally.
5. Always think systematically and act speedily.

Organization (as of April 1, 2011)



Basic Concept of CSR


The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees. Nagase concentrates not only on business growth but also on CSR-oriented operations with active contributions to society in the areas of environmental preservation, responsibilities as a good corporate citizen and development of scientific technology.

Directors, Corporate Auditors and Executive Officers (As of July 1, 2011)

Director

 Hiroshi Nagase Representative Director, President and CEO	 Makoto Tsuruoka Representative Director and Senior Managing Executive Officer GM, Finance Division, Accounting Division, Corporate Planning Office	 Kyoichi Zushi Representative Director and Senior Managing Executive Officer GM, Fine Chemicals Department, Beauty Care Products Department, Research & Development Center	 Reiji Nagase Representative Director and Senior Managing Executive Officer GM, Automotive Solutions Department, Environment & Energy Office, Energy Device Office, Nagoya Branch Office
 Shingo Bamba Director and Managing Executive Officer GM, Colors & Imaging Department, Polymer Global Account Department, Polymer Products Department	 Kazuo Nagashima Director and Managing Executive Officer GM, Electronic Chemicals Department, Electronic Materials Department, CEO, America, Europe	 Kenichi Matsuki Director and Executive Officer GM, Audit Office, Human Resources & General Affairs Division, Legal & Credit Division, Compliance Division, Osaka Administrative Division, Intellectual Property Office	 Toshiro Yamaguchi Director and Executive Officer GM, Speciality Chemicals Department, Performance Chemicals Department, Business Administrative Office, Nagase Application Workshop, CEO, Osaka Region

Outside Directors

 Haruyuki Niimi Outside Director 1960 Joined Showa Shell Sekiyu K.K. 1985 Managing Director, Showa Shell Sekiyu K.K. 1993 Senior Managing Director, Representative Director and Vice President, Showa Shell Sekiyu K.K. 1995 Chairman, Showa Shell Sekiyu K.K. 1998 Chairman and President, Showa Shell Sekiyu K.K. 2004 Current position	 Iwao Nakamura Outside Director 1966 Joined Nissan Motor Co., Ltd. 1995 Director, Nissan Motor Co., Ltd. 2000 Managing Director, Nissan Motor Co., Ltd. 2002 Representative Director and President, Nissan Diesel Motor Co., Ltd. (currently UD Trucks Corporation) 2009 Current position
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Corporate Auditors

 Hideo Yamashita Corporate Auditor (Outside Corporate Auditor) 1972 Joined The Sumitomo Bank, Limited 2000 Head Office Senior Management Staff and, General Manager, Kanda Corporate Banking Dept at The Sumitomo Bank Limited 2002 Senior Head Office Staff in Osaka at the Sumitomo Mitsui Banking Corporation 2004 Current position	 Masao Hidaka Corporate Auditor 1973 Joined Nagase & Co., Ltd. 2011 Current position	 Takahide Osada Corporate Auditor 1974 Joined Nagase & Co., Ltd. 2009 Current position	 Toshio Takano Corporate Auditor (Outside Corporate Auditor) 1987 Deputy General Manager of the Special Investigation Department of the Tokyo District Public Prosecutors Office 2001 Superintendent Public Prosecutor of the Sendai High Public Prosecutors Office 2004 Superintendent Public Prosecutor of the Nagoya High Public Prosecutors Office 2006 Takano Law Firm 2008 Current position
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Executive Officers

Mitsukuni Mori Managing Executive Officer President, Nagase ChemteX Corp.	Kazuo Mitsuhashi Executive Officer Nagase ChemteX Corp.	Kenji Asakura Executive Officer GM, Automotive Solutions Department, Energy Device Office, Nagoya Branch Office	Takaaki Hirai Executive Officer GM, Beauty Care Products Department
Hiroshi Hanamoto Executive Officer GM, Colors & Imaging Department	Mitsuaki Ito Executive Officer GM, Business Administrative Office	Osamu Morishita Executive Officer CEO, China	Kohei Sato Executive Officer GM, Performance Chemicals Department
Tomitaka Ito Executive Officer GM, Electronic Chemicals Department	Mitsuro Naba Executive Officer GM, Speciality Chemicals Department	Ichiro Wakabayashi Executive Officer CEO, ASEAN Region/India GM, Polymer Global Account Department	Kenji Nagafusa Executive Officer GM, Polymer Products Department
		Katsuhisa Yamaguchi Executive Officer GM, Corporate Strategy Office	

Corporate Governance

The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees. To implement this philosophy and continue raising corporate value, we believe that quick decision-making and action, as well as active, transparent management, are vital. In addition, with the advance of globalization, Nagase is aggressively working to strengthen corporate governance as a key management issue.

Business Execution Framework

Under a corporate system that adopts a Board of Auditors, Nagase introduced the executive officer system in June 2001. The Company's current management framework consists of ten directors (including two outside directors), 21 executive officers (eight of whom concurrently serve a directors), and four corporate auditors (including two outside corporate auditors). The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations. Holding a regular monthly meeting, the Board of Directors reviews and formulates measures regarding important decisions and tracks business performance.

In accordance with audit policy and standards for responsible work set at Board of Auditors' meetings, corporate auditors attend important meetings, such as Board of Directors' meetings, and conduct audits of the execution of duties of directors and executive officers based on reports solicited from subsidiaries on an as-needed basis.

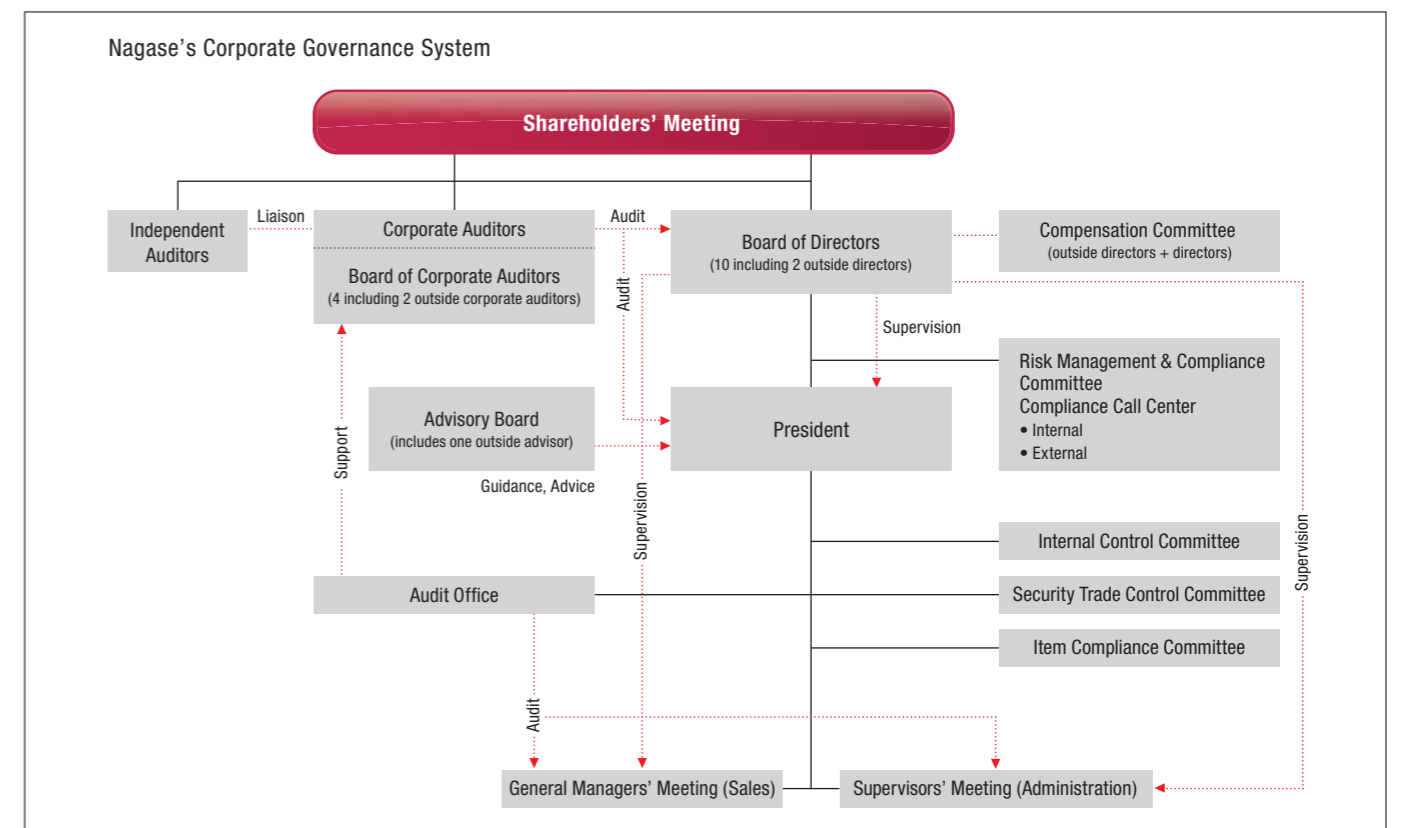
Executive officers determine specific measures for sales-related administrative matters by attending divisional general managers' meetings and supervisors' meetings and discussing each division's status report.

In light of the importance of securing objective supervision of and guidance on its management, Nagase set up an Advisory Board to secure advisors from outside the Company. Furthermore, Nagase established the following committees to reinforce its corporate governance function.

With the majority of its members made up of outside directors, the Compensation Committee was established on May 1, 2010. This body ensures the objectivity and transparency of the Company's directors and executive officers in the decision-making process regarding compensation by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

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

The Internal Control Committee documents the companywide internal control conditions and financial statement preparation process to further



enhance its financial reporting credibility, while maintaining and strengthening a structure to carry out evaluation and improvements.

The Security Trade Control Committee thoroughly complies with export-related laws and regulations in relation to foreign currency exchange and foreign trade for its trading of cargos and technologies covered by such laws and regulations. The Item Compliance Committee ensures strict compliance with laws and regulations related to those of the Company's products that come under the purview of the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the Pharmaceutical Affairs Act.

Under the executive officer system, Nagase's corporate governance system collaborates with the abovementioned committees to appoint outside directors and members to the Board of Auditors as well as to reinforce its corporate governance system. Having secured supervision and auditing functions that operate from diversified perspectives, including from outside the Company, Nagase believes the current corporate governance system is more rational than ever. We will increase our efforts to further reinforce our corporate governance system to secure stakeholders' trust.

Auditing Framework

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities. The Audit Office is staffed by eight employees, including certified internal auditors and other individuals who possess specialized knowledge in internal audits. The Board of Auditors consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance, accounting, general corporate management, compliance (including those who are board-certified compliance officers) and governance.

The Company established the Audit Office to also ensure corporate auditors' auditing effectiveness, supplying staff upon request to support the corporate auditors' work. The Audit Office and the Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries, while holding meetings twice a year with affiliate companies' auditors. In addition, they perform wide-ranging liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase's independent auditors, regarding accounting matters and associated internal controls; maintaining a presence during accounting audits; and cooperating as needed with audits conducted at affiliated companies, including those located overseas.

In addition to discussing individual matters with corporate auditors on a daily basis, independent auditors also hold meetings twice a year with the Board of Auditors.

Nagase established the Internal Control Committee and the Committee Affairs Bureau in its internal control section, and the Audit Office serves as the Company's independent internal auditor. Evaluation results of internal control operations are reported appropriately to the Internal Control Committee by the Audit Office, and the Internal Control Committee reports on the internal control status to the Board of Auditors and independent auditors on a regular basis.

Audits by certified public accounts are performed in a fair and unbiased

manner by a staff of 30, which includes the following specified limited-liability partners and accountant trainees.

Certified Public Accountants	Auditing Firm
Specified limited-liability partners <ul style="list-style-type: none"> Managing partner: Kenichiro Arai Managing partner: Yuka Hayashi 	Ernst & Young ShinNihon LLC

Independent Directors and Independent Corporate Auditors

Pursuant to the Securities Listing Regulations of Japanese securities exchanges, companies are required to appoint at least one "independent director or independent corporate auditor" each from their outside directors and outside corporate auditors, who will not cause conflict of interest with general shareholders. To that end, Nagase appointed all of its outside officers, namely, the two outside directors, Messrs. Haruyuki Niimi and Iwao Nakamura, and two outside corporate auditors, Messrs. Hideo Yamashita and Toshio Takano, and registered them as Nagase's independent directors and independent corporate auditors with the Tokyo Stock Exchange.

Major Actions in Fiscal 2010

Haruyuki Niimi

- Haruyuki Niimi attended 13 of 14 Board of Directors' meetings (93% attendance ratio) and provided appropriate opinions and advice from a wide range of viewpoints gained from his extensive international experience.

Iwao Nakamura

- Iwao Nakamura attended all 14 Board of Directors' meetings (100% attendance ratio) and provided appropriate opinions and advice attained from his experience in industry.

Hideo Yamashita

- Hideo Yamashita attended all 14 Board of Directors' and Board of Auditors' meetings (100% attendance ratio) and provided appropriate opinions based on his wide-ranging experience gained from many years of working overseas in financial institutions.

Toshio Takano

- Toshio Takano attended 13 of 14 Board of Directors' meetings (93% attendance ratio) and all 14 Board of Auditors' meetings (100% attendance ratio) and provided appropriate opinions from his specialized perspective as a lawyer.

Business Continuity Plans (BCPs)

Fiscal 2010 Results

In order to confirm effectiveness of the BCPs created for Company departments, Nagase implemented a mock disaster drill in November 2010. Based on assumptions made regarding the probable situation immediately following an earthquake and a few hours later, the Company conducts ongoing trainings based on established manuals to secure important business activities. In addition, we began formulating BCPs for three additional departments. In anticipation of a major earthquake, Nagase conducted initial drills as well as safety registration drills for all employees using the Company's safety registration system.

Nagase also focused on the issue of dealing with an outbreak of a new strain of influenza by demonstrating at the model department the viability of continually carrying out duties through telecommuting based on upgraded IT infrastructure.

Fiscal 2011 Initiatives

In fiscal 2011, Nagase will continue to conduct mock disaster drills to confirm the effectiveness of its BCPs. Simultaneously, the Company plans to introduce the BCPs at four other departments in order to spread this initiative.

Through these efforts, Nagase will formulate BCPs for all of its departments. In addition, the model department plans put into practice the concept of carrying out important business activities through telecommuting should a highly virulent new-type influenza begin to spread.

Risk Management and Compliance

The Nagase Group, being aware that risk management and compliance are bound together within one system, establishes, maintains, improves and promotes across the entire Group structures for compliance and risk management that reflect not only legal compliance but also corporate ethics. This Risk Management and Compliance section aims to introduce specific measures being taken with regard to Product Quality Risk and Risks of Handling Various Chemicals, against the backdrop of known risks as the Nagase Group conducts global business development.

Comprehensive Identification, Understanding and Control of Risks

In April 2008, the Company reorganized the Compliance Committee into the Risk Management & Compliance Committee to put in place a comprehensive structure for risk management as well as to monitor risk management and compliance as an advisory body to the Board of Directors. The Company maintains a structure that sets the committee's functions and authority and clarifies its roles and responsibilities. Under the committee's leadership, department managers address risks in their particular areas by formulating rules and implementing training. The Company also works through the Risk Management & Compliance Committee to develop systems and departments responsible for additional risks that materialize and strives to lower the risks that could impact the Company's business.

In addition, the Management & Compliance Committee formulates the basic compliance policy to develop and maintain the Company's compliance system and uses regular workshops and other initiatives to ensure that corporate activities are strictly in line with the Nagase Group Code of Conduct. Should employees of Nagase or its Group companies become aware of legal or other compliance issues, they report to the Risk Management & Compliance Committee, which immediately reports to the Board of Auditors. In addition, the Company has introduced an internal reporting system wherein employees and others can report or discuss issues directly.

Basic Compliance Policy

As a member of world society, the Nagase Group must maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of its employees. Nagase has developed and carries out the following basic compliance policy. Based on this corporate philosophy, Nagase has adopted and will implement the following Basic Compliance Policy.

This policy defines the behavior standards that Nagase and its officers and employees will observe as it carries out its various business activities. Officers and employees of Nagase must behave in accordance with these behavior standards and endeavor to disseminate them to those within the corporate organization, especially those with whom they work. If circumstances arise in which there is a risk that these behavior standards may be compromised, officers and employees must work to resolve problems without delay and improve operations by identifying the causes of problems and taking steps to prevent recurrences.

1 Compliance with laws, regulations and internal rules and regulations

- Corporate activities will be conducted fairly and in good faith, in accordance with laws and rules, and without any deviation from social standards.
- Business activities will be conducted in accordance with the rules of the international community to ensure the continuing growth and development of Nagase as a global enterprise.

2 Elimination of anti-social elements

Anti-social elements that threaten public order and safety will be met with firmness and resolutely eliminated.

3 Provision of goods and services that are useful to society

Nagase will contribute to society by supplying goods and services that are useful to society.

4 Respect for the qualities and individuality of employees

- Nagase will respect the autonomy and creativity of every employee and foster a corporate culture in which those qualities can be applied to corporate activities.
- Nagase will protect its employees' health, respect their human rights, treat them fairly and without discrimination, and secure and provide safe and enriching work environments.

5 Disclosure of information to stakeholders

Nagase will strive to ensure transparency by fairly and actively disclosing corporate information to stakeholders, including customers, suppliers, employees and shareholders.

6 Preserving the global environment

Nagase recognizes its responsibility to maintain the global environment in a better condition and will act in accordance with that responsibility.

1. Specific Measures Taken for Individual Risks: Product Safety and Quality Control

As the Nagase Group accelerates business globalization, the volume of off-shore transactions it engages in as well as exports to and imports from China and other rapidly growing countries is increasing. The Company's principal suppliers to date have been major chemical manufacturers in Europe and the United States, which differ from new suppliers in emerging countries in that transactions with the latter require that initiatives be put in place to prevent the occurrence of quality management and other issues due to legal and regulatory differences between Japan and the countries in question. Therefore, Nagase recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management. At the same time, one of the goals of Nagase's "CHANGE" II medium-term management plan involves the further reinforcement and expansion of Groupwide R&D and production functions. To achieve this goal, Nagase must

enhance the capabilities of Group manufacturing companies, including joint ventures, and continuously improve quality management at these companies. Accordingly, pursuant to the Nagase Group Product Safety Principles, formulated in October 2008, the Company is promoting the formulation of Groupwide rules regarding quality management and product quality assurance while providing its employees with educational programs. Through these activities, we are working to ensure the safety of the products handled throughout the Group.

In tandem with its growth as a business engaged in manufacturing, Nagase will increasingly be called upon to assume responsibility for quality assurance. To assist in this area, the Company established the Quality Assurance Support Team within the Intellectual Property Office in December 2010.

2. Specific Measures Taken for Individual Risks: Security Trade Controls

As a trading company specializing in chemicals and which also carries out export business activities, mainly of chemical products and plastics, Nagase has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. Furthermore, the Company has established a department-level Security Trade Control Office within the Compliance Division to specialize in export controls and act as the Security Trade Control Committee's secretariat.

In addition, meetings of the Security Trade Control Committee and the Trade Control Commission are convened once a month. At these meetings, the Security

Trade Control Committee works to understand the export control situation, the latest revisions to the Foreign Exchange and Foreign Trade Control Law and to ascertain a detailed picture of export controls across the entire Group while formulating related Group policies. The Trade Control Commission disseminates matters determined at Security Trade Control Committee meetings to all business units and Group companies while providing instruction based on decisions made by the Security Trade Control Committee. Through these efforts, the risk of violating the laws associated with export controls is prevented.

Specific Management Framework

At Nagase, with regard to all products for export, the Compliance Program Procedural Administration System (CP-PAS) for goods and technology is employed to record data on export products and overseas customers. Furthermore, these activities are regulated by the Foreign Exchange and Foreign Trade Control Law and the United States' Export Administration Regulations (EAR), while the Sales Division and export control officers confirm whether or not permission to export is required. This system is designed to ensure that only those products approved by the Security Trade Control Office are available for export.

Moreover, going one step beyond mere adherence to the law, we define policies of the entire Nagase Group associated with security export controls that prohibit trade in products that are military-related items or that have military applications. We also make the Nagase Group fully aware of Group policies to prevent any exposure to security export control risks.

Efforts to Promote Personnel Development

Every year, the practical business of security trade controls becomes ever more complex. To keep pace with developments, the Nagase Group encourages its employees—primarily those involved in export operations—to become STC Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC). As of March 31, 2011, 337 employees from a total of 16 companies, including Nagase and affiliates, had taken the exam. We continue to strive to foster personnel with a high level of knowledge and expertise.

Aiming to Raise Awareness of Security Trade Controls

At Nagase, internal security trade control training is provided to all employees, and the Human Resources & General Affairs Division offers various training opportunities such as orientation for new employees, personnel training according to level, and the implementation of other activities that educate and instill knowledge. In addition, we hold lectures for domestic subsidiaries and affiliates as well as overseas-based subsidiaries, with the entire Group participating. In fiscal 2010, a total of 99 training lectures were provided to 1,980 people.

3. Specific Measures Taken for Individual Risks: Regulatory Compliance in Products

Because of a rising awareness of safety and security in the international community, and against the backdrop of increasing concern with regard to chemical substances, including those that are used in finished products, Nagase established the Item Compliance Committee. Focusing on chemical management, this committee is underpinning a structure that appropriately responds to laws and regulations with regard to the entire Group's handling of chemical products.

Framework for Compliance with Chemical Laws and Regulations

Every time Nagase begins handling a new chemical, it conducts stringent investigations into the materials involved in the chemical's manufacture and related laws and regulations, while efficiently managing data compiled through such investigations. In this way, we are able to swiftly confirm which products contain regulated materials and ingredients and provide our customers with the information they require to confirm compliance with revised laws in Japan and abroad. As for parts and products that the Company procures or provides, it is difficult to manage information regarding the materials and ingredients involved in their manufacture. Nevertheless, to meet our own and customers' green procurement requirements, we confirm that these parts and products and their manufacture are free of regulated materials and ingredients before purchasing or shipping out.

In addition, because we distribute information on the chemical substances contained in products along the supply chain, we endeavor to pass on accurate information by participating in the Joint Article Management Promotion-consortium (JAMP) and by using specialized tools for products containing chemical substances, such as MSDS Plus and AIS.

Strategic Approach to International Chemicals Management (SAICM)

The action plan adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020, chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is accelerating the tightening and standardization of regulations concerning chemical management. Consequently, each nation is witnessing dynamic changes in applicable laws and regulations.

Also, the Registration, Evaluation, Assessment of Chemicals (REACH) regulations took effect in Europe in 2007. Following this, in 2009, China, South Korea, Taiwan and other countries bolstered their respective regulatory systems relating to chemical management. In such an environment, as a company promoting business worldwide, Nagase is providing support to its overseas subsidiaries in responding to these legal and regulatory developments.

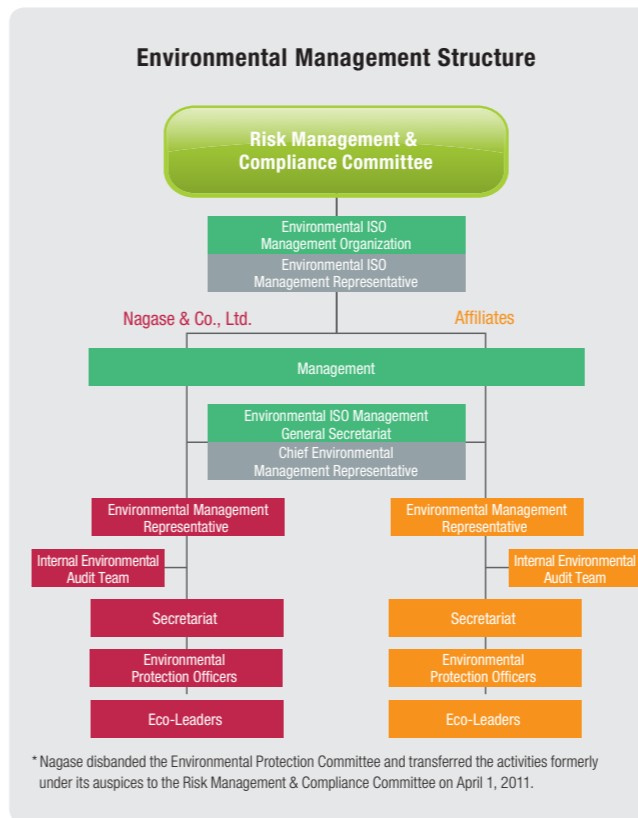
These legal and regulatory developments naturally affect the finished products in which Nagase products are used. Therefore, it is important for the Nagase Group to offer its customers relevant information, and the Company works to ensure an accurate understanding of worldwide legal and regulatory trends with regard to chemical management. At the same time, with the aim of establishing a system to facilitate the global management of information related to the chemical products and chemical substances used in our products, we are providing product management education and guidance to our overseas counterparts.

Nagase Group Environmental Management Structure

Nagase began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee, a role currently assumed by the Risk Management & Compliance Committee. Relatively earlier than other trading companies in Japan, Nagase obtained ISO 14001 certification for its environmental management system in April 2000 in response to societal demands. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifications and thereby expanded the scope of certification. Currently, six sales companies—Nagase Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd., Nishinihon Nagase Co., Ltd. and Nagase General Service Co., Ltd. (certified in November 2010)—conduct activities under the ISO management structure together with Nagase at its certified business establishments.

In addition, many Nagase Group companies, having acquired certification independently, are conducting their own environmental activities.

Certified Nagase Group companies will always have clear environmental goals and action plans. To achieve these goals and plans, Nagase and its Group companies appoint environmental protection officers, who coordinate department-specific environmental activities, and eco-leaders, who promote the implementation of these activities. With these officers and leaders in place, the Nagase Group is proactively advancing initiatives aimed at continuously improving various environmental activities.



Environmental Management Activities

Nagase bases its environmental management activities on daily operations. Specific activities include the creation and expansion of eco-businesses and the enhancement of operational efficiency. Under **"CHANGE" 11**—the Nagase Group's medium-term management plan that was launched in April 2009—the Company is strengthening its existing eco-businesses with new businesses in the energy field, placing extra focus on photovoltaic generation and energy-storage devices. At the same time, by promoting information sharing and complementing functions among its departments and business groups, the Company will further reinforce the business structure required for the efficient and flexible provision of products and services that contribute to the realization of a sustainable, recycling-oriented and low-carbon society.

In addition, Nagase is promoting activities aimed at reducing the environmental impact of its business operations. We are a trading company and, thus, do not operate such energy-intensive facilities as plants. Still, we believe that we can reduce the environmental impact of our business activities by, for example, improving the efficiency of our logistics operations. Acting on this belief, we developed the Nagase Energy Calculation Online (NECO) System, which enables the automatic calculation of domestic cargo transport volume using distribution receipt data managed by our sales control system, bringing it on line in August 2008. This system makes it possible not only to calculate our annual cargo transport volume and CO₂ emissions but to analyze transport routes for optimization, which also helps reduce our CO₂ emissions. In such ways, the Nagase Group is striving to reduce energy consumption in its logistics operations, thereby contributing to the prevention of global warming.

Environmental Policy

1. Comply with all environmental laws, regulations and other rules

• We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.

2. Develop businesses that give full consideration to environmental issues

• We will conduct our business activities in full awareness of the need to preserve the ecosystem and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and economic feasibility.

3. Fulfill our responsibilities as a good corporate citizen

• As a good corporate citizen we will work together with public institutions, industry, and local communities to promote environmental conservation measures that are suitable for the Nagase Group.

4. Establish and continually improve an environmental management system

• We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continuously make improvements to this system by setting concrete goals and working to fulfill them.

5. Disclose and make the relevant parties fully aware of our Environmental Policy

• We will disclose the Policy to the public and make all who work for the Nagase Group fully aware of its contents.

Environmental Burden Reduction Activities

Together with efforts to reduce its environmental impact, NAGASE & CO., LTD., the core company of the Nagase Group, intends to “develop businesses that give full consideration to environmental issues” as one important element of its environmental policy. Nagase contributes to reducing environmental burden through the discovery and development at Group manufacturing companies of environment-oriented products and materials that are vital to society.

In line with revisions made to the Act on the Rational Use of Energy in fiscal 2009, Nagase has been designated as a “specified corporation” by the Bureau of Economy, Trade and Industry since its energy usage exceeds fixed levels. Consequently, we compile data on the amount of energy consumed at every facility, formulate medium- and long-term energy reduction plans, prepare management standards for repair and maintenance of facilities and equipment, and submit reports to the Bureau of Economy, Trade and Industry. In fiscal 2011, we will upgrade energy-saving facilities and equipment with the purpose of undertaking systematic energy conservation activities.



LED lighting has been adopted on a trial basis at a portion of Tokyo headquarters. Data is being collected in order to expand the use of LED lighting.

Activities Undertaken by Nagase ChemteX

Nagase ChemteX Corp., a core manufacturing subsidiary of the Nagase Group, promoted energy conservation activities by developing an energy-saving framework at all its facilities in accordance with the revised Act on the Rational Use of Energy. Nagase ChemteX is also working to reduce greenhouse gases. To this end, Nagase ChemteX has undertaken the following key energy-conservation measures: formulated and monitored energy conservation targets at each department based on the efforts of all employees; established a system to improve energy conservation-related proposals; and improved capital investment activities undertaken by Energy Conservation Committee staff members.

In addition, Nagase ChemteX decreased greenhouse gas emissions by upgrading to high-efficiency boilers and switching from heavy oil to liquid natural gas in January 2009. Through these actions, Nagase ChemteX was designated as a greenhouse gas emission-reducing business under the Japanese government's Domestic Carbon Credit System in March 2011.



Businesses Involving Environment- and Energy-Related Technologies

Environment & Energy Office

Aiming to develop new and unique businesses in the field of the environment and energy, the Environment & Energy Office facilitates information sharing Groupwide and promotes cross-organizational cooperation.

Currently, the Environment & Energy Office is focusing on procurement and sales of photovoltaic generation systems, all-electric homes, energy-saving products as well as the sale of solar panels, power conditioners and other photovoltaic generation system equipment, EcoCute water heating systems, LED lighting, energy storage devices, IH heaters and energy-saving support systems. Through these and other products, the Office is offering proposals for energy generation, storage and conservation that reduce environmental burden. In the area of photovoltaic generation systems, the Office is particularly adept at developing electric power sales systems for individual units in apartment buildings.

Concentrating on factory farm systems, the Environment & Energy Office is also engaged in new business development.

Energy-Related Technologies

Strategic Initiatives in Fiscal 2011

In fiscal 2011, the Environment & Energy Office will move forward with efforts to develop photovoltaic generation systems particularly for industrial applications as it expands this business overseas. The Office will bolster its proposal capabilities for total power systems in the areas of generation, storage and conservation. In addition, the Office intends to promote projects to create systems that address disaster prevention awareness—the importance of which was heightened dramatically in the aftermath of the recent calamity—while examining business models to accelerate the recovery of stricken regions.

Energy Device Office

The Energy Device Office specializes in energy device-related businesses, focusing on lithium ion batteries, for which applications are expected to rapidly expand. The Office expands businesses oriented towards manufacturers (including battery materials, batteries, battery modules and energy systems) and government agencies. These business endeavors include the handling of battery manufacturing materials; the development, production and sale of bat-

tery modules; the creation of energy systems equipped with battery modules; and participation in energy-related verification testing.

With battery supply chains extending over a wide area, the Energy Device Office has combined its capabilities with the commercial and manufacturing company CAPTEX Co., Ltd. (see p. 36) to organically connect upstream and downstream information to create business proposals that only Nagase is capable of.

Strategic Initiatives in Fiscal 2011

During fiscal 2011, in addition to assisting and promoting sales strategies for CAPTEX Co., Ltd. (which has made the decision to establish a new plant) as well as engaging in the sale of battery materials for Nagase's current manufacturing customers, the Energy Device Office will focus on the development of battery materials in new areas in conjunction with Nagase ChemteX (see p. 22).

In addition, the Office will expand its operations through business tie-ups and M&A to meet the demand for energy storage batteries, which has dramatically risen in the aftermath of the Great East Japan Earthquake.

1. Electronic Chemicals Business

Nagase currently manufactures and sells a chemical management system (CMS) to control the concentration of chemicals used in the manufacture of semiconductors and liquid crystal displays (LCDs) in order to make the process more stable. Moreover, the Company reuses chemicals. The waste solvent recovery system contributes to zero emissions by collecting and processing waste solvents that individual companies have difficulty reducing, and reusing them as raw materials for different industries.

Applying the entire range of its technologies, expertise and experience in the electronic chemicals business, the Nagase Group also completed a plant, which manufactures, supplies and recycles chemicals used in LCD panel

manufacturing processes, within Sharp's “Green Front Sakai,” and this facility commenced operations in October 2009. Utilizing the CMS and Nagase ChemteX Corp.'s chemical recycling technologies, this on-site plant recycles developer, stripping agents and other chemicals. Concentrating the Nagase Group's long-accumulated technologies at this recycling-oriented plant will enable major reductions in the use of chemicals and raw materials as well as significant environmental contributions.



Developer Control Equipment



Developer Dilution Supply Equipment

Precision Filtration Equipment

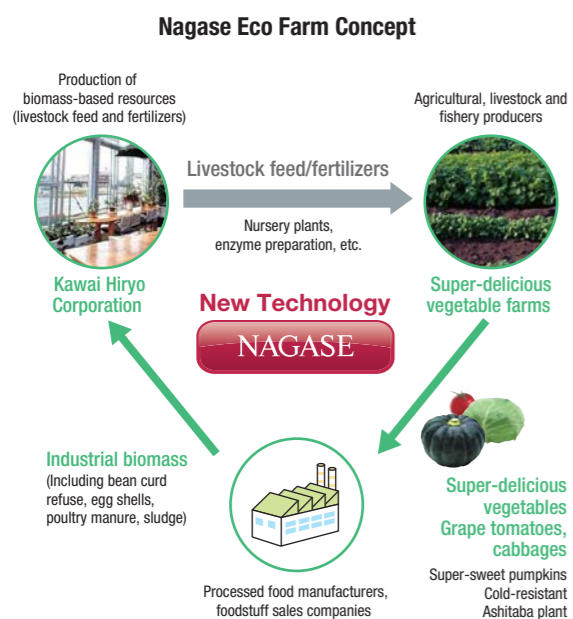
Chemical recycling plant within Sharp's “Green Front Sakai”



2. Nagase Enters Organic Fertilizer Business

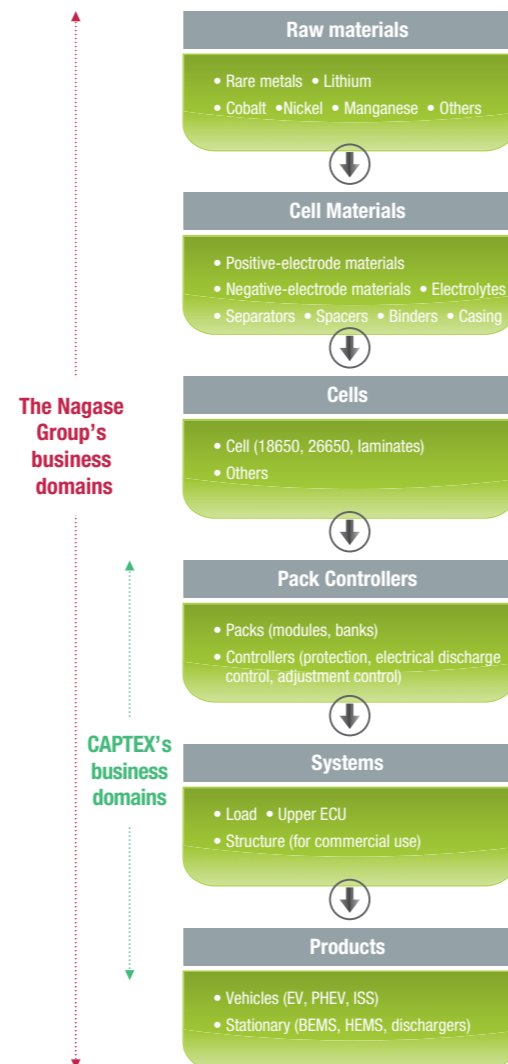
The Nagase Group launched its medium-term management plan, **"CHANGE" 11**, in April 2009, setting six core initiatives. In line with two of these initiatives—namely, strengthening R&D and manufacturing functions and building businesses around environment- and energy-related technologies—the Group is advancing a project aimed at realizing the "Nagase Eco Farm Concept" for a recycling-oriented agricultural, livestock and fishery business that uses biomass and untapped natural resources. As the first step in this endeavor, Nagase has acquired all shares in Kawai Hiryo Corporation.

Kawai Hiryo manufactures organic fertilizers, including Bokashi fertilizers, and agricultural chemicals and materials, and supplies these products to professional and amateur agricultural producers nationwide. Based on waste foodstuffs and other materials, Bokashi fertilizers are manufactured through fermentation using certain microorganisms. This type of fertilizer is highly soluble and easily absorbed into the soil and contains nutrients that are efficiently absorbed by plants. Looking ahead, Nagase aims to develop new fertilizers and livestock feed through the integration of Kawai Hiryo's technologies with its biotechnologies.



3. Commencing Development of Lithium Ion Battery Control Modules Indispensable for Electric Vehicles and Smart Grids

The Nagase Group is expanding its businesses in the area of supply chains for lithium ion batteries, notable for their use as storage devices primarily in automobiles, laptop computers and mobile phones. Against this backdrop, CAPTEX Co., Ltd., a wholly owned Nagase subsidiary, is concentrating on the manufacture and development of lithium ion battery control modules.



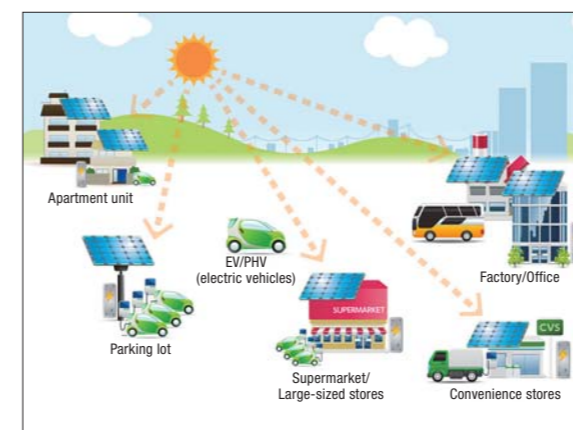
Modules Indispensable for Electric Vehicles and Smart Grids

Amid demand for high-efficiency, long-lasting and safe batteries, control modules are a necessary component of technology to regulate battery-related data. Leveraging CAPTEX's highly effective control technology and expertise in the area of remote battery data management, we are designing and developing control circuitry as well as promoting secondary battery packs.

We are gaining the support of numerous customers owing to the provision of one-stop services in the following areas: 1. Battery system overview (dimensions and voltage); 2. Project proposals (concept, structural and controller design); 3. Specification reviews (sample creation: design, casing, battery power source, electrical discharge control, transmission; evaluation: electrical discharge, heat, vibration testing); 4. Verification (Benchmarks and monitor evaluation).

With the construction of a high-volume production plant* in Okazaki City, Aichi Prefecture, which commenced in June 2011, we will expand applications of lithium ion battery control modules beyond automotives to smart grids oriented to residential, office, commercial facility, factory and other uses.

*Land area: approx. 23,000m², floor area: approx. 5,000m² (2 stories), scheduled completion: March 2012



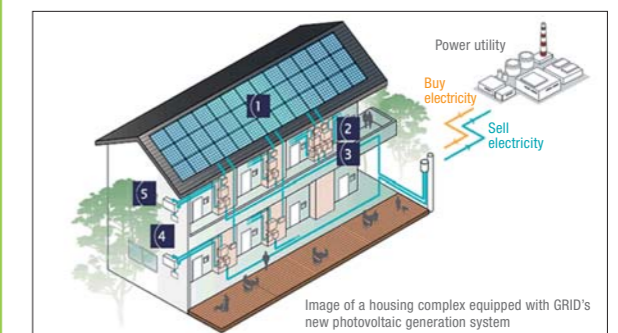
4. Penetrating the New Domain of Photovoltaic Generation Systems for Housing Complexes

Nagase has provided capital and participates in a business partnership with the photovoltaic generation system integration business, GRID, Inc., to develop value chains in the solar cell market. This partnership facilitates innovative solutions combining the upstream area of conventional solar cell materials and component sales with the new downstream area of photovoltaic generation system sales.

In the downstream area, Nagase supplies environment-related products including solar cell modules and power conditioners as it procures solar cell panels from Taiwan-based original equipment manufacturers (products made under the GRID brand). In addition, GRID is responsible for designing photovoltaic generation systems that are sold under the Nagase brand name.

Sales of these products target condominiums, apartments and other housing complexes. Until now, photovoltaic generation systems installed in such buildings were limited to common areas due to the difficulty posed by individual power distribution. As a result, this was an undeveloped business field. We are now able to enter this new field owing to photovoltaic generation systems developed by GRID that are compatible with individual power distribution—from roof panels to each apartment unit—and capable of electric sales to each unit.

After establishing a proven track record in the area of housing complexes, we will expand applications of this new photovoltaic generation system to encompass residential housing and such industrial applications as factories and warehouses.



(1) Solar cell module (generates electricity), (2) Connection box (collects electricity), (3) Power conditioner (converts electricity into power), (4) Display equipment (enables power monitoring), (5) Interior switchboard (distributes power)

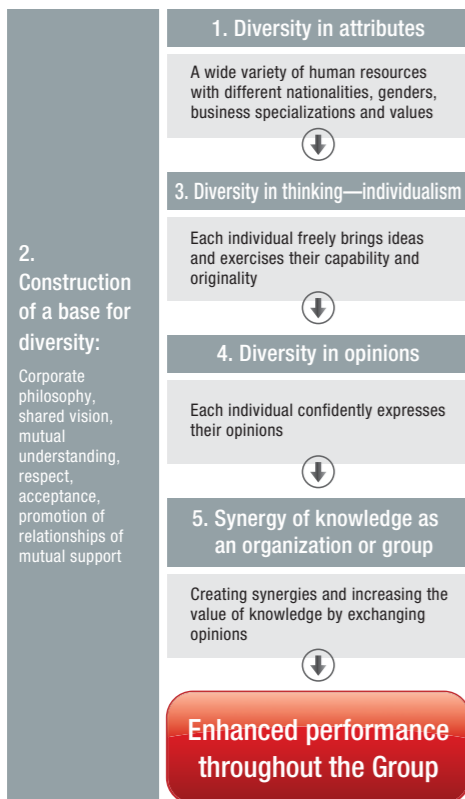
Together with Our Employees (Diversity and Work-Life Balance)

As part of its promotion of global business operations, the Group considers it important to create new value for its companies by utilizing diverse human resources and providing comfortable work environments where each Group employee can demonstrate his or her abilities to the fullest. To this end, the Group included the promotion of employee diversity and work-life balance as one of the six key initiatives in its “CHANGE” 11 medium-term management plan.

1. Basic Stance on Diversity

The Nagase Group currently employs a diverse range of workers who differ in terms of gender, nationality, age, values and lifestyles. The Group considers that the development of corporate culture will lead to the creation of new businesses as well as the improvement of business performance throughout the Group. These objectives involve the development of a corporate culture in which a diverse range of workers can share ideas, build shared acceptance through mutual understanding and help each other perform tasks while working vigorously and generating new synergies by exchanging values. Accordingly, the Nagase Group positions diversity as one of its important corporate strategies.

Objectives to Achieve through the Promotion of Employee Diversity



2. Diversity Initiatives

Nagase commenced the promotion of employee diversity in fiscal 2008 with the establishment of the Diversity Promotion Committee. Based on the belief that the promotion of diversity should be addressed by all employees over the medium to long term, the Group first conducted an employees’ awareness survey and hearings on their ideas about diversity. Based on the survey and hearing results, the Group held a number of discussions to define diversity, devise themes for diversity promotion and lay out specific measures for the next three years. After these processes, the Group announced details of a promotional campaign in May 2009 and began to educate employees. In addition, Nagase held diversity briefing sessions for managers in February 2010 to further spread this concept within the Group.

Furthermore, the Company is requiring each department to establish a diversity action plan as part of the “CHANGE” 11 medium-term management plan and to carry out such a plan at each site. In addition to these efforts, the Company engaged in the following four activities during fiscal 2010.

- Diversity briefing lectures given by Kiichiro Nakamura for all employees and a DVD featuring a panel discussion on diversity with Representative Director Kyoichi Zushi, Director Kenichi Matsuki and Executive Officer Hiroshi Hanamoto was made.**
- Training programs for overseas national staff (36 employees participated in 2010)**
- Diversity promotion site was established on the Company intranet to showcase the president’s messages and departmental initiatives related to diversity**
- Employment of female career-track employees (4 out of 16 new employees in fiscal 2010 and 4 out of 28 employees in fiscal 2011)**

Themes for Diversity Promotion

- Sharing corporate philosophy and vision
- Enhancement of transparency
- Reinforcing relationships of friendly competition
- Encouraging a breakthrough to the current situation
- Eliminating a mindset that leads to gender bias
- Creating a work environment in which employees feel free to utilize the in-house benefit system



1 In-house education

- Periodic messages from top management
- Facilitation of understanding about department’s business direction throughout the organization
- Promotion of diversity-related information provision and exchange
- Planning and implementation of diversity-related training and seminars

2 Diversity in organization and individuals

- Promotion of global personnel system
- Promotion of inter-Group personnel exchanges both in Japan and overseas
- Continuing to employ female career-track employees
- Support for employees’ career development

3 Development of comfortable workplace

- Standardization and streamlining of work processes
- Planning and promotion of work-life balance-related systems

1. Basic Stance on Work-Life Balance

Striking a balance between work and life is indispensable to the promotion of employee diversity. Therefore, the Group maintains a comfortable workplaces for employees with diverse characteristics to realize a good work-life balance. Nagase believes a good balance between work and life will bring benefits to both the Company and employees, and thus strives to raise awareness in house and develop work-life balance-related systems.

2. Work-Life Balance Initiatives

During January and February 2009, Nagase invited Tsuneo Sasaki and Yoshie Komuro to give work-life balance lectures, promoting this concept throughout the Company. At the same time, we introduced the “armo” program to assist employees taking child care leave and to help them eventually return to work. In October 2009, Nagase made the second and third Wednesdays of each month “No Overtime Days” and encouraged employees to achieve more rewarding working conditions by fulfilling their personal life needs through self education. Moreover, the Company widened the scope of persons eligible for child care leave, while holding a briefing session for its in-house welfare program staff to facilitate understanding of rules related to child care and nursing care. As a result, five male employees applied for and were granted child care leave.

Receiving recognition for such efforts, Nagase has been accredited as a general business owner compliant with the Next Generation Nurturing Support Measures Promotion Law issued by the Osaka Labor Bureau in Chuo-ku, Osaka, as of May 21, 2010, and acquired the “KURUMINN” next-generation accreditation mark. Nagase will make continuing efforts to enhance work-life balance to achieve even more comfortable work environments.



1. Policy Regarding Developing Human Resources

In step with the increasing globalization of its businesses, the Nagase Group develops training programs responsive to the rank and position of each employee as a systematic addition to its traditional approach of providing employees with on-the-job training.

2. Cultivate a Corporate Culture of "On-the-Job Training"

Nagase is encouraging a training-oriented corporate culture through on-the-job training, including instruction programs for new employees, and overseas training as well as basic and management-oriented business courses. Moreover, we are offering support to motivated employees by providing a selection of training programs for those individuals who have a personal interest in increasing their knowledge.

3. Establish a Training Program that Emphasizes "Systematic Training"

Focusing on required rank-specific training, the Nagase Group provides a wide range of training programs that include position-specific, theme-specific, elective, overseas training and programs for local staff located abroad. Through these efforts, we are taking systematic steps to nurture the next generation of employees who will lead the Nagase Group in the years ahead.

The Next-Generation Leadership Program for Overseas National Staff

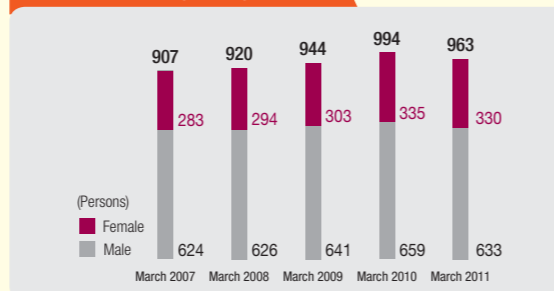
As an elective program within its overall training system that the Group is making the utmost effort in developing, the Next-Generation Leadership Program for Overseas National Staff is being systemized based on the Basic Management Program (BMP) for managerial candidates, the General Management Program (GMP) for general managerial candidates and the Nagase Management Program (NMP) for potential executives. In the latter, for example, four overseas local staff members were among the approximately 20 participants who were divided into teams in order to make proposals to management completely in English intended to help solve Group management issues. Such initiatives are significantly contributing to the development of the next-generation of leaders.

Number of Participants at Main Training Programs

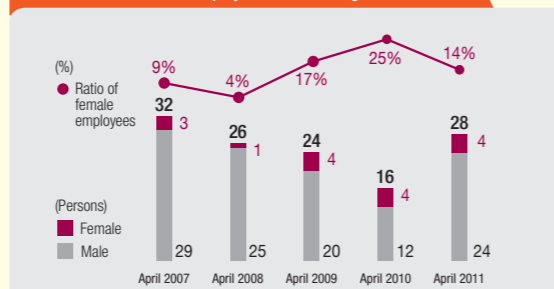
Training Program	Fiscal 2010 Results
Rank-specific	398 persons
Elective	18 persons
Overseas	12 persons
The Next-Generation Leadership Program for Overseas National Staff	37 persons

	Department		Senior Manager	
	Manager	Leader	Manager	Leader
Rank-specific training (required)	Multifaceted Management Development Program			
Position-/theme-specific training	Executive training		Manager Training Management-oriented business courses	Leadership training
	Newly appointed manager training (Evaluation/mental health management)		Newly appointed senior manager training (personnel management)	
Career/Specialized/Research training	Overseas Harvard Business School AMP	Japanese business schools Middle management seminars	Japanese business administration courses Cross-industrial associations in Japan	
	Executive Management Programs in Japan Management strategy courses in Japan	NMP Middle Management Programs in Japan	Domestic/Asian business schools	
Overseas training		Chinese language overseas study courses Business management courses Business school overseas study courses	Business English Short-term overseas study courses	
Other	Elective training (17 courses including management strategy, English, Chinese, and computer skills)			
Managerial positions For managerial positions			Specific activity training Supervisor training	Brush-up training Business courses New employee follow up Introductory training for new employees
For overseas companies	NMP	GMP	BMP	BMP-A

Number of Employees by Gender



Number of Career-track Employees Hired among New Graduates



Social Contribution Activities

1. Contributing to Growth of Scientific Technology

Nagase has a long history of developing enzymes and technologies for organic compounds for use not only in the chemical industry but for a wide range of applications in various industries, including pharmaceuticals. Through its business operations, the Company has come to understand the importance of basic research in biochemistry and organic chemistry. In line with this realization, we established the Nagase Science and Technology Foundation in 1989 with the aim of supporting research and development, as well as international exchange, in fields including biochemistry and organic chemistry, promoting advances in scientific technology and ultimately promoting socioeconomic development.

Contributions include research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures. To date, the foundation has awarded a cumulative 356 research grants and 178 international exchange fellowships, the sum of which totals approximately ¥930 million.

Beginning anew as a charitable organization on April 1, 2011, Nagase Science and Technology Foundation began providing research grants accompanying the bestowing of the Nagase Research Promotion Award.

Research Grants Provided in Fiscal 2011

Name	Position / Present office	Subject matter
<Biochemistry>		
Akira Kikuchi	Professor Graduate School of Medicine, Osaka University	Development of methods for epithelial tubule formation using three dimensional cultures
Atsushi Kuhara	Junior Associate Professor Faculty of Science and Engineering, Konan University	Molecular mechanism on diacylglycerol signaling involved in neural plasticity
Ryuichiro Sato	Professor Graduate School of Agricultural and Life Sciences, University of Tokyo	Study on the function of glutamine in cultured cells
Tohru Dairi	Professor Graduate School of Engineering, Hokkaido University	Biosynthetic studies of isoprenoids produced by fungi and its application.
Mitsuaki Tabuchi	Associate Professor Faculty of Agriculture, Kagawa University	Analysis of the molecular mechanism for heat tolerance through the regulation of sphingolipid metabolism in yeast
Seiji Masuda	Associate Professor Graduate School of Biostudies, Kyoto University	Molecular construction of mRNA export receptor specific to the target mRNA for the improvement of recombinant protein production.
Tatsuo Maruyama	Associate Professor Graduate School of Engineering, Kobe University	Enzyme-mediated refolding of denatured protein
<Organic chemistry>		
Hideki Amii	Professor Graduate School of Engineering, Gunma University	Development of Enantioselective Transformation using Chiral Trifluoromethylated Metal Complexes
Shinichi Saito	Professor Faculty of Science, Tokyo University of Science	Development of an efficient methodology for the synthesis of medium-sized cyclic amines by the ring expansion reactions
Hidetoshi Tokuyama	Professor Graduate School of Pharmaceutical Sciences, Tohoku University	Development of Useful Synthesis of Biologically Active and Structurally Complex Alkaloids using Highly Efficient One-pot Sequential Reactions
Seiichi Nakamura	Professor Graduate School of Pharmaceutical Sciences Nagoya City University	Studies toward the total synthesis of marine toxins having an azaspiro ring system
Yasushi Morita	Associate Professor Graduate School of Science, Osaka University	Development of organic neutral radical discotic liquid crystal with electronic-spin delocalizing nature
<Biochemistry /Organic chemistry>		
Akio Ojida	Professor Graduate School of Pharmaceutical Sciences, Kyushu University	Development of new fluorescent probes for In Cell functional analysis
Hiroshi Sugiyama	Professor Graduate School of Science, Kyoto University	Induction of useful iPS cells using functional small molecules
Sachiko Tsukamoto	Professor Graduate School of Pharmaceutical Sciences, Kumamoto University	Study on the Diels-Alderase producing the antipodes

2. Active Contributions to Society

At the Nagase Group, one element of our environmental policy is to fulfill our responsibilities as a good corporate citizen. This is demonstrated by collaboration, sponsorship and other support, as well as participation in external organizations that implement environmental preservation activities. In addition to taking part in the Nippon Keidanren Committee on Nature Conservation, the Japan Foreign Trade Council's Global Environment Committee and other organizations, Nagase proactively takes action that contributes to local communities.

▶ TABLE FOR TWO Initiative

In October 2008, Nagase Tokyo Head Office participated in the TABLE FOR TWO (TFT) program operated by the NPO organization TABLE FOR TWO International as part of its employee-participatory social contribution activities. The Osaka Head Office also took part in the TFT program in January 2009. TFT was launched to reduce the incidence of lifestyle-related diseases caused by overeating and obesity in advanced countries including Japan, while extending food assistance to developing countries where

people suffer from the shortage of food.

Every time a TFT healthy meal—a meal that includes an ample portion of vegetables—or other TFT licensed food is bought, the employee who makes the purchase and the Company each donate 10 yen to the TFT office. This buys one highly nutritious school meal for a child in the developing world. The total number of meals donated was 20,500 as of March 31, 2010.



▶ Fostering Communication with the Local Community

The Kobunacho district of Nihonbashi, where the Company's Tokyo headquarters is located, has been alive with fish markets, bonito flake wholesalers and other traditional businesses since the Edo Period. As a part of this community, Nagase Group employees actively participate in the "Tennoasai" festival at the Yakumo Shinto Shrine (a traditional aspect of this historical area) by carrying large mikoshi (portable shrines).

This festival has been held in Kobunacho once every four years for around 340 years.

Group employees working in the Kobunacho district value the relationships they have forged with members of the local community and will continue to do their utmost to preserve the unique history and traditions of the area.



	(Millions of yen)						Thousands of U.S. Dollars (Note)
	2006	2007	2008	2009	2010	2011	2011
For the Fiscal Year:							
Net Sales	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	¥ 603,949	¥ 660,213	\$ 7,940,024
Domestic	388,470	410,789	432,813	394,874	360,382	389,379	4,682,850
Overseas	259,553	290,532	331,942	320,364	243,567	270,833	3,257,162
Gross Profit	67,640	73,639	80,506	71,527	65,415	73,008	878,028
Operating Income	17,596	21,669	23,063	12,522	13,128	18,732	225,280
Income before Income Taxes and Minority Interests	20,583	23,095	20,264	11,183	13,534	20,918	251,569
Net Income	12,892	13,567	10,005	5,808	7,537	12,823	154,215
Capital Investment	¥ 4,769	¥ 5,713	¥ 9,885	¥ 10,040	¥ 7,266	¥ 7,212	\$ 86,735
Depreciation and Amortization	3,528	4,110	5,131	5,425	5,976	6,387	76,813
Research and Development Expenses	2,428	2,571	2,927	2,985	3,241	3,512	42,237
As of the Fiscal Year-End:							
Total Assets	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	¥ 368,088	¥ 375,336	\$ 4,513,963
Net Assets	196,620	211,672	208,377	191,931	202,753	209,316	2,517,330
Interest-Bearing Debt	24,834	20,491	33,342	31,340	21,886	27,125	326,218
Share Price (Yen)	1,582	1,485	1,018	761	1,169	990	11.91
Market Value	218,961	205,536	140,899	105,328	161,799	137,024	1,647,913
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	138,408	138,408	138,408	138,408	138,408	—
Number of Shareholders	6,904	6,653	6,324	5,801	5,446	5,136	—
Number of Employees	3,504	3,865	4,335	4,506	4,469	4,693	—
	(Yen)						U.S. Dollars (Note)
Per Share Data:							
Net Income	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	¥ 58.64	¥ 99.76	\$ 1.20
Net Assets	1,535.70	1,597.27	1,559.97	1,435.88	1,519.61	1,568.04	18.86
Cash Dividends	15.00	18.00	17.00	16.00	16.00	22.00	0.26
Ratios:							
Operating Margin (Operating Income / Net Sales) (%)	2.7	3.1	3.0	1.8	2.2	2.8	—
Ratio of Income before Income Taxes and Minority Interests to Net Sales (%)	3.2	3.3	2.6	1.6	2.2	3.2	—
Return on Sales (ROS) (%)	2.0	1.9	1.3	0.8	1.2	1.9	—
Total Assets Turnover (Times)	1.8	1.7	1.8	1.9	1.7	1.8	—
Return on Assets (ROA) (%)	3.5	3.3	2.4	1.5	2.1	3.4	—
Return on Equity (ROE) (%)	7.1	6.8	4.9	3.0	4.0	6.5	—
Shareholders' Equity Ratio (%)	49.6	48.5	47.8	54.1	53.1	53.7	—
Debt to Equity Ratio (Times)	0.13	0.10	0.17	0.17	0.11	0.13	—
Interest Coverage Ratio (Times)	30.5	26.9	23.2	13.5	23.2	35.4	—

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥83.15=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2011.

The Nagase Group and Its Businesses

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with Nagase & Co., Ltd. (the "Company" or "Nagase") at its center. In addition, the Nagase Group manufactures and sells products and provides services. These businesses are conducted by 95 related companies, consisting of 71 subsidiaries and 24 affiliates. The scope of consolidation includes 51 subsidiaries as well as 9 affiliates, which are accounted for by the equity method.

During fiscal 2010, ended March 31, 2011, Nagase turned Nagase Vietnam Co., Ltd. into a consolidated subsidiary due to the increased significance of the business. Sofix Corp. (which had been an affiliate accounted for by the equity method in fiscal 2009) also became a consolidated subsidiary following Nagase's purchase of additional shares.

During fiscal 2010, the Nagase Group removed 20 companies, including Nagase Filters Co., Ltd., from its scope of consolidation. The total assets, net sales, net income and retained earnings of these companies had no material effect on the consolidated financial statements.

Overview of Results

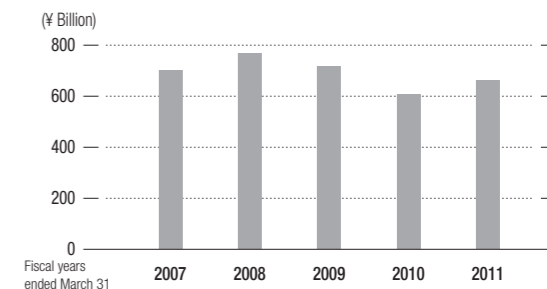
Net Sales

During the period under review, despite the sharp appreciation of the yen, the Japanese economy remained robust, supported by economic-stimulus measures implemented by the government and recovery in overseas economies. However, the Great East Japan Earthquake in March 2011 has not only caused direct damage to the disaster areas, but also had significant, negative impact on manufacturers in Japan and overseas due to disruptions in supply chains.

Reflecting these conditions, Nagase's consolidated net sales increased ¥56.26 billion, or 9.3 percent, year on year to ¥660.21 billion due to improved revenue in Japan and overseas.

On the domestic front, favorable performance in the Electronics segment and steady sales in the Plastics segment led to net sales of ¥389.37 billion, a ¥28.99 billion, or 8.0 percent, rise compared with the previous fiscal year. Outside of Japan, sales increases were recorded in the greater China and the ASEAN region as well as in the Plastics and Electronics segments in North America. Consequently, overseas sales stood at ¥270.83 billion, a ¥27.26 billion, or 11.2 percent, improvement in year-on-year.

Net Sales



Gross Profit and Selling, General and Administrative Expenses

Cost of sales rose ¥48.67 billion, or 9.0 percent, year on year to ¥587.20 billion. In line with the increase in revenue, gross profit grew ¥7.59 billion, or 11.6 percent, to ¥73.00 billion. On this basis, the ratio of gross profit to net sales improved 0.3 of a percentage point to 11.1 percent.

Selling, general and administrative expenses increased ¥1.99 billion, or 3.8 percent, year on year to ¥54.27 billion. The ratio of SG&A expenses to net sales declined 0.5 of a percentage point year on year to 8.2 percent.

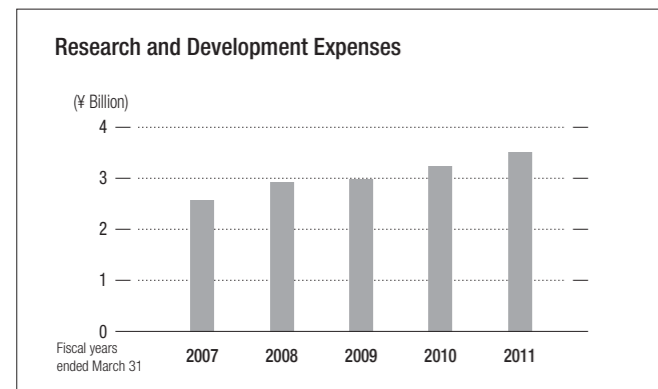
Research and Development Expenses

The Nagase Group integrates its comprehensive strengths to engage in research and development with the objectives of developing new technologies and products and disseminating technological information, based on its marketing activities, in order to create new businesses.

The Nagase R&D Center continues to conduct research with an emphasis on providing users with technological solutions. Main research themes include process development for pharmaceuticals and pharmaceutical intermediates through the application of organic synthesis technologies and biotechnologies; the development of drug discovery support technologies; the development of enzyme and enzyme-based products through the application of microorganism utilization technologies; and the development of cosmetic and health-food products through the discovery of natural materials and ingredients and the application of pharmacological evaluation technologies. Furthermore, the Company commenced the application of biotechnological research focusing on the environment and energy fields from fiscal 2008. The Nagase R&D Center also collaborates extensively with Nagase ChemteX, a major manufacturing subsidiary, in areas ranging from the development to the manufacture of products. The Nagase Group's intellectual property includes chiral synthesis technology to produce unnatural amino acids; the development of new enzymes ranging from discovery to production and application; and applications for cosmetics and health foods using natural ingredients. In these and other sectors, the Nagase Group has applied for numerous patents for its inventions, and customers hold the Nagase Group's technological capabilities in high regard. Through these R&D activities, the Nagase R&D Center also contributes to growth and increased earnings in the Life Sciences segment.

Located in Amagasaki City, Hyogo Prefecture, the Nagase Application Workshop (NAW) has now been in full-scale operation for approximately four years. NAW responds with great care to each of the various developmental and technical support issues introduced from customers and suppliers through sales, and it uses processing equipment and evaluation devices operated by technical staff specializing in the three areas of plastics, coating materials and fiber processing. As such, Nagase is contributing to the solution of customer issues through technological development at NAW.

At Nagase ChemteX, with particular focus on the electronics, life sciences, automotive and environmental fields, researchers who belong to product development divisions of individual business departments and to the cross-divisional Nagase R&D Center are advancing the development of new products through the application of wide-ranging technologies. Long-nurtured through the Company's business to date, these proprietary technologies include synthetic, compounding, culturing and evaluation technologies. More recently, Nagase ChemteX has been accelerating environmental R&D projects in such areas as solar cells, hybrid cars, wind power generation, recycling and product weight reduction. Through such projects, Nagase ChemteX is developing advanced, high-value-added products that are lightweight, durable and easy to recycle. For the fiscal year under review, research and development expenses totaled ¥3.51 billion.

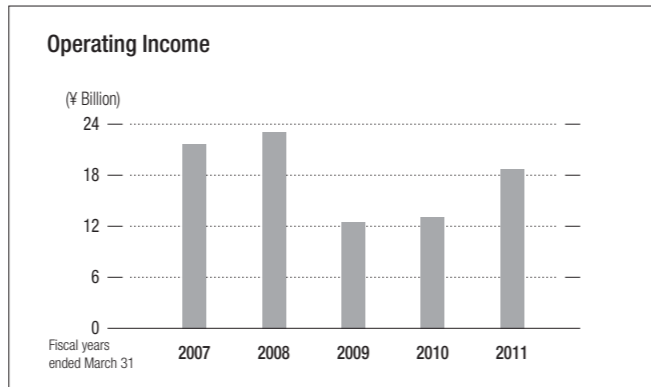


■ Operating Income, Net Other Income

As a result of the above, operating income jumped ¥5.60 billion, or 42.7 percent, year on year to ¥18.73 billion, for an operating margin of 2.8 percent, an improvement of 0.6 of a percentage point.

Nagase posted net other income totaling ¥1.89 billion, for the fiscal year under review, a rise of ¥0.30 billion, or 19.5 percent, from the previous fiscal year. This improvement was mainly attributable to a rise in dividend income and a decrease in interest expense. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, rose from 23.2 times in fiscal 2009 to 35.4 times.

Accounting for these factors, ordinary income surged ¥5.91 billion, or 40.2 percent, year on year to ¥20.62 billion. The ratio of ordinary income to net sales increased 0.7 of a percentage point to 3.1 percent.

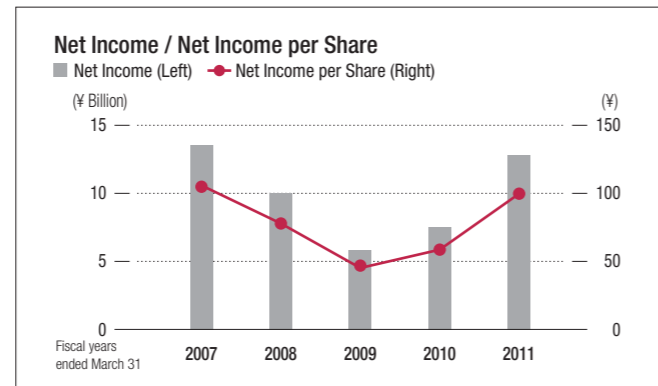


■ Extraordinary Income and Loss, Net Income

Extraordinary net income was ¥0.29 billion, a positive turnaround from a loss of ¥1.17 billion in the previous fiscal year. Extraordinary income increased to ¥2.02 billion, from ¥0.18 billion in the previous fiscal year. This rise was mainly attributable to gain on sales of noncurrent assets totaling ¥0.52 billion and income from sales of investments in securities amounting to ¥1.19 billion. Extraordinary loss rose to ¥1.72 billion, from ¥1.36 billion in the previous fiscal year, primarily due to a provision of allowance for doubtful accounts for subsidiaries and affiliates of ¥0.69 billion and to the loss on step acquisitions totaling ¥0.34 billion.

Income before income taxes and minority interests climbed ¥7.38 billion, or 54.6 percent, year on year to ¥20.91 billion. On this basis, the ratio of income before income taxes and minority interests to net sales rose 1.0 percentage point to 3.2 percent.

As a result, net income soared ¥5.28 billion, or 70.1 percent, year on year to ¥12.82 billion. This translated to a net income to net sales ratio of 1.9 percent, up 0.7 of a percentage point. Net income per share increased from ¥58.64 in fiscal 2009 to ¥99.76.



Results by Business Segment

Chemicals

Fiscal years ended March 31	2010	2011
Net Sales	237.12	253.29
Operating Income	7.83	8.78
Total Assets	103.01	107.29
Depreciation and Amortization	0.42	0.46
Amount invested in equity method affiliates	0.95	0.09
Amount of increase in tangible and intangible fixed assets	0.29	0.39

In the Chemicals segment, overall demand in the chemicals industry was strong, and Nagase's domestic sales expanded. Overseas, decreased sales in Northeast Asia were offset by increased sales in Southeast Asia and Europe, resulting in a rise in segment sales. Accordingly, net sales in the Chemicals segment improved ¥16.16 billion, or 6.8 percent, year on year, to ¥253.29 billion. Segment operating income increased ¥0.94 billion, or 12.1 percent, to ¥8.78 billion.

In the colors and imaging business, which handles pigments, dyestuffs, digital print processing materials, functional dyes and other products related to color, the business performance of dyestuffs and fiber-processing agents for the fiber-processing industry and thermal toner materials remained flat year on year. However, an increase in sales of printer ink materials, functional color pigments for display-related applications and electro conductive polymer pushed up overall sales in this business.

In the performance chemicals business, which handles a wide array of products ranging from naphtha-derived general-purpose petrochemical products to high-value-added products, overseas sales of plastic raw materials and additives were brisk. Also, sales of urethane and paint materials to the automobile industry grew, raising overall sales in this business.

In the speciality chemicals business, which boasts an extensive product portfolio that includes surfactants, industrial oil solutions and organic synthesis materials as well as sealant materials for fluorochemical and semiconductor applications, overall performance was robust. Nagase ChemteX, which functions as the core manufacturing company within the Nagase Group, saw higher sales, particularly of products for LCD-related applications.

Plastics

Fiscal years ended March 31	2010	2011
Net Sales	192.56	222.10
Operating Income	3.09	4.76
Total Assets	91.97	100.26
Depreciation and Amortization	0.74	0.58
Amount invested in equity method affiliates	0.70	0.78
Amount of increase in tangible and intangible fixed assets	0.79	1.01

In the Plastics segment, sales in Northeast and Southeast Asia were strong, while sales in Europe, the United States and Japan expanded. As a result, sales in the Plastics segment increased year on year, rising ¥29.53 billion, or 15.3 percent, to ¥222.10 billion. Segment operating income jumped ¥1.67 billion, or 54.1 percent, to ¥4.76 billion.

Despite inventory adjustments conducted by certain industry players during the period under review, domestic sales to office automation and consumer electronics businesses showed steady growth. Supported also by increased exports of resins and molding-related products to China, overall sales in this category expanded from the previous fiscal year.

Domestic sales of automotive materials and products showed robust growth on the back of increased automobile production as a result of various government policies. The termination of these government policies, including the provision of subsidies to buyers of eco cars, during the period had little effect on sales of these materials and products. Overseas, Northeast and Southeast Asia saw a continuing boom in the production of automobiles, and North America started to see signs of recovery in automobile production. Accordingly, sales of automotive materials and products expanded, increasing overall sales in this business.

In businesses focusing on functional films and sheets and plastic molding products, sales of functional films (insulating sheets) for LCD TVs and power connectors and anti-reflective sheets for such electronic devices as mobile phones declined. Despite an increase in sales of precision inspection systems for liquid crystal polarizer films, overall sales in these businesses dropped slightly year on year.

Electronics

Fiscal years ended March 31	2010	2011
Net Sales	117.59	133.64
Operating Income	3.48	6.13
Total Assets	60.86	60.12
Depreciation and Amortization	2.17	2.70
Amount invested in equity method affiliates	0.11	0.07
Amount of increase in tangible and intangible fixed assets	3.73	2.16

In Electronics, increased demand for liquid crystals, semiconductors, touch panels, smartphones and other electronic products resulted in steady growth of segment sales. By region, sales in Southeast Asia declined, while those in Japan, Northeast Asia, Europe and the United States increased. Consequently, net sales in the Electronics segment improved ¥16.04 billion, or 13.6 percent, year on year, to ¥133.64 billion. Segment operating income surged ¥2.64 billion, or 76.0 percent, to ¥6.13 billion.

In the electronic chemicals business, particularly the products of Nagase Group companies, such as Nagase ChemteX, performed robustly. Sales of formulated epoxy resins expanded significantly, supported by a recovery in demand for these resins for heavy electric machinery applications and by strong demand for applications in mobile phones, particularly smartphones. Sales of

chemicals used to manufacture LCDs also expanded substantially, reflecting the positive impact of a new business launch. As a result, overall sales in this business grew year on year.

In the electronic materials business, sales of precision abrasive materials used in silicon wafer processing for semiconductors and hard disks remained flat compared with the previous fiscal year. In LCDs, sales of materials for optical film were firm, while sales of materials for touch panels increased significantly. Overseas, the performance of businesses focusing on the ongoing slimming of LCD panels showed significant growth. Consequently, overall sales in this business expanded substantially.

Life Sciences

Fiscal years ended March 31	¥ Billion	
	2010	2011
Net Sales	55.54	50.24
Operating Income	1.55	0.95
Total Assets	31.88	30.13
Depreciation and Amortization	0.80	0.65
Amount invested in equity method affiliates	1.42	1.53
Amount of increase in tangible and intangible fixed assets	0.18	0.26

In the Life Sciences segment, the fine chemicals business experienced a decline in sales of pharmaceutical raw materials and intermediates and raw materials used in agricultural chemicals, as well as a slight dip in sales of materials of living commodities. Sales in the beauty care products business, which handles cosmetics and health foods, also dipped slightly. As a result, segment sales decreased year on year. Accordingly, net sales in the Life Sciences segment decreased ¥5.29 billion, or 9.5 percent, year on year, to ¥50.24 billion. Segment operating income dropped ¥0.60 billion, or 38.7 percent, to ¥0.95 billion.

In the fine chemicals business, sales of pharmaceutical products manufactured by Nagase Medicals Co., Ltd. remained almost on par with the previous fiscal year. Meanwhile, demand for existing pharmaceutical raw materials and intermediates stalled, and there was a delay in the development of new products. Accordingly, sales of these products declined year on year. In enzymes and fermentation products, sales of products developed by Nagase ChemteX Corp. showed a slight increase. However, overall sales in this business decreased year on year.

In the beauty care products business, sales of new health food products were brisk. On the other hand, sales of cosmetics were stagnant, reflecting a general hesitance among consumers to buy when anticipating new releases. As a result, overall sales in this business slipped slightly year on year.

Others

Segment net sales decreased ¥0.18 billion, or 16.7 percent, to ¥0.93 billion, while segment operating income amounted to ¥10 million.

Results by Geographical Segment

Year ended March 31, 2011	¥ Billion			
	Japan	China	Others	Total
Net Sales	389.37	112.63	158.20	660.21
Fixed Assets	36.62	—	3.28	39.91

Note: Net sales are classified by country and region based on customer location.

Profit Sharing Policy

Dividend Policy

Through the enhancement of its earnings power and corporate structure, Nagase adheres to an ongoing basic policy of making continuous and secured dividend payouts linked to its consolidated performance, and thus it aims to keep increasing the per-share dividend with due consideration given to the payout ratio and the ratio of dividends to net assets on a consolidated basis. Nagase intends to use the retained funds effectively to support future business activities and to strengthen its management foundation.

Based on this policy, Nagase plans to pay a year-end dividend of ¥13.00 per share for the fiscal year ended March 31, 2011. Therefore, together with the interim dividend, the Company will pay an annual dividend of ¥22.00 per share. The consolidated payout ratio decreased to 22.1 percent from 27.3 percent for the previous fiscal year.

For the fiscal year ending March 31, 2012, Nagase plans to pay an annual per-share dividend of ¥24.00, consisting of an interim and year-end dividend of ¥12.00 each.

Stock Option System

In the fiscal year ended March 31, 2003, the Nagase Group introduced a stock option system aimed at boosting the motivation and morale of Group employees in order to improve their performance and at further enhancing the Company's corporate value by aligning the interests of the Group with those of shareholders.

Liquidity and Financial Condition

Cash and cash equivalents as of March 31, 2011 increased ¥4.39 billion, or 10.3 percent, from March 31, 2010 to ¥47.20 billion.

For the fiscal year under review, net cash provided by operating activities totaled ¥10.99 billion, mainly due to the posting of income before income taxes and minority interests amounting to ¥20.91 billion. This result occurred despite a rise in working capital on the back of increases in notes and accounts receivable and inventories. Meanwhile, net cash used in investing activities totaled ¥9.14 billion, primarily attributable to purchases of property and equipment as well as investments in securities. Net cash provided by financing activities was ¥3.56 billion owing to an increase in short-term loans that offset such factors as the payment of cash dividends.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥10.99 billion. This reflected such factors as income before income taxes and minority interests totaling ¥20.91 billion, which offset an increase in working capital following an upswing in notes and accounts receivable due to sales expansion and a rise in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥9.14 billion. Major components were acquisitions of property and equipment totaling ¥5.70 billion and purchases of investments in securities of ¥1.58 billion.

Cash Flows from Financing Activities

Net cash provided by financing activities was ¥3.56 billion. This was primarily attributable to an increase in short-term loans of ¥6.11 billion that offset the payment of cash dividends amounting to ¥2.31 billion.

Cash Flow Summary

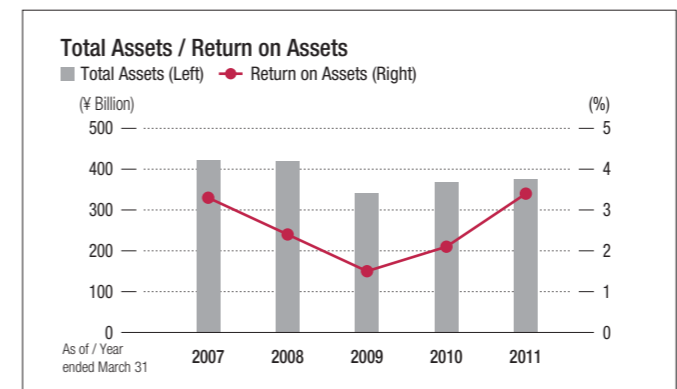
Fiscal years ended March 31	¥ Billion		
	2009	2010	2011
Net Cash Provided by Operating Activities	36.16	27.87	10.99
Net Cash Used in Investing Activities	(11.06)	(9.43)	(9.14)
Net Cash Provided by (Used in) Financing Activities	(5.54)	(11.75)	3.56

Assets

Total assets as of March 31, 2011 stood at ¥375.33 billion, an increase of ¥7.24 billion from March 31, 2010.

Current assets increased ¥9.52 billion to ¥277.30 billion. Despite a decrease in notes and accounts receivable of overseas subsidiaries caused by foreign exchange fluctuations, this rise was mainly the result of an increase in inventories and higher cash and time deposits aimed at enhancing liquidity.

The sum of property, plant and equipment and investments and other assets fell ¥2.28 billion to ¥98.03 billion. This contraction was largely due to a decline in investments in securities, reflecting a decrease in their market value and the sale of shares.



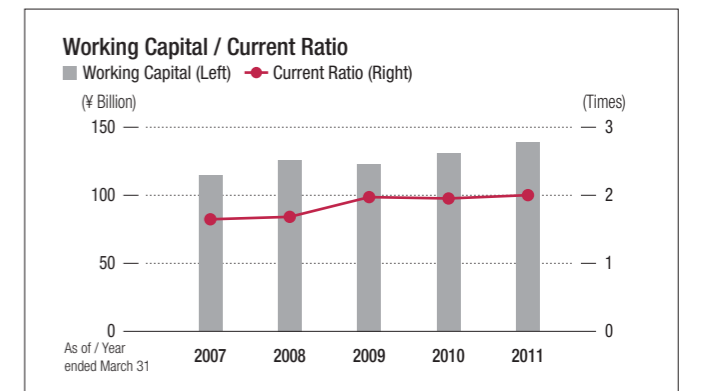
Liabilities

As of March 31, 2011, total liabilities stood at ¥166.02 billion, an increase of ¥0.68 billion from March 31, 2010.

Current liabilities rose ¥1.40 billion to ¥138.51 billion. In spite of a fall in notes and accounts payable, this result was due to an increase in short-term loans following an upswing in working capital and other factors.

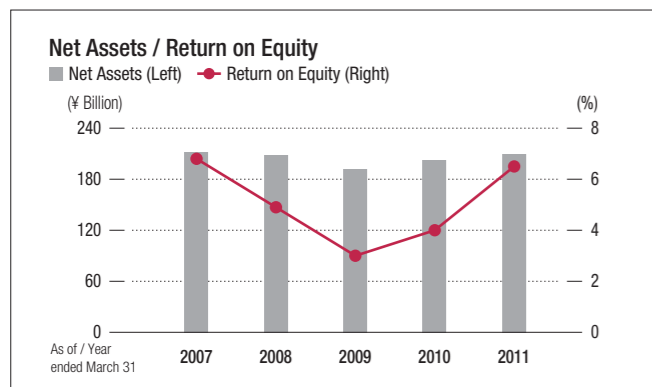
Working capital increased year on year, from ¥130.66 billion to ¥138.78 billion. The current ratio improved 4.9 points to 200.2 times from a year earlier.

Long-term liabilities decreased ¥0.71 billion from March 31, 2010 to ¥27.50 billion. This rise was mainly due to a decline in deferred income taxes caused by a fall in net unrealized holding gain on securities in line with lower share prices.



Net Assets

Net assets as of March 31, 2011 stood at ¥209.31 billion, up ¥6.56 billion from March 31, 2010. This increase was primarily attributable to a rise in retained earnings, which resulted from the posting of net income in the fiscal year under review. This result occurred despite a drop in net unrealized holding gain on securities and a worsening of translation adjustments. Accounting for these factors, the shareholders' equity ratio grew 0.6 of a percentage point to 53.7 percent.



Investment in Plant and Equipment

Investment in plant and equipment for the fiscal year ended March 31, 2011 centered on manufacturing facilities for manufacturing subsidiaries and totaled ¥5.05 billion.

By segment, in the Chemicals segment, investment in plant and equipment totaled ¥0.39 billion and included manufacturing and other facilities of manufacturing subsidiaries. In the Plastics segment, investment in plant and equipment totaled ¥1.00 billion and included manufacturing and other facilities of manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥2.13 billion and included manufacturing and other facilities of Nagase and manufacturing subsidiaries. In the Life Sciences segment, investment in plant and equipment totaled ¥0.25 billion and included manufacturing facilities of manufacturing subsidiaries. Nagase's investment in plant and equipment totaled ¥1.26 billion companywide. The Nagase Group used both internal and external capital resources to fund these activities.

Outlook for the Year Ending March 31, 2012

Regarding the economic outlook for the fiscal year ending March 31, 2012, China and emerging nations in Asia, Europe and the United States are all expected to continue to expand. In Japan, however, it may be some time before manufacturers of end products are able to return to normal operations, due to the adverse impact of the Great East Japan Earthquake on the supply of principal raw materials, core parts and components.

Based on the above, the outlook for the Nagase Group's fiscal 2012 performance is shown in the table below. These performance projections are based on an exchange rate of ¥83=U.S.\$1.00.

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2012 (Projected)	660.0	18.0	19.0	12.0
Year ended March 31, 2011 (Actual)	660.2	18.7	20.6	12.8
Increase (Decrease) (%)	(0.0)	(3.9)	(7.9)	(6.4)

Statements made in this document with respect to the Nagase Group's performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of April 28, 2011. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ materially from projections.

Operating and Other Risks

The Nagase Group is engaged in trading, marketing, research and development, manufacturing and processing, and conducts global business activities in the five segments of Chemicals, Plastics, Electronics, Life Sciences and Others. The following presents an overview of major operating and other risks to which the Nagase Group's businesses are subject by their nature and that exert or could exert a significant influence on investor decisions.

(1) Overall Operating Risk

The Nagase Group conducts a wide spectrum of operations in the segments of Chemicals, Plastics, Electronics, Life Sciences and Others from its base in chemicals. The chemical industry both in Japan and internationally is subject to significant volatility that could impact the Group's performance and financial position.

(2) Product Market Conditions

The Nagase Group is extensively involved in the chemicals, plastics and other businesses that deal in petrochemicals manufactured from naphtha.

Raw material market conditions and the balance of supply and demand are key factors determining market conditions for each product. Changes in these conditions could impact the Group's revenue and earnings.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import and export transactions and nontrade business transactions that involve foreign currencies. Fluctuations in foreign currency exchange rates impact the value of transactions denominated in foreign currencies when translated into yen. The Nagase Group works to minimize the risks associated with fluctuations in foreign currency exchange rates by hedging these transactions using forward foreign exchange contracts. However, fluctuations in foreign currency exchange rates could exert a material impact on the Nagase Group's performance and financial position. The Nagase Group also includes corporations domiciled in countries other than Japan that maintain their financial statements in currencies other than Japanese yen. Fluctuations in foreign currency exchange rates could therefore impact the consolidated financial statements upon translation of the accounts of these corporations into Japanese yen.

(4) Impact of Fluctuations in Interest Rates

The Nagase Group procures the funds required for its operating and investing activities through debt financing with financial institutions. The Group has a certain amount of interest-bearing debt with variable interest rates. When undertaking variable-rate debt financing, the Group ensures that the risk associated with fluctuations in interest rates is minimized by using interest rate swap contracts and other available means. However, future fluctuations in interest rates could impact the Nagase Group's performance and financial position.

(5) Risks Involved in Operating Overseas

A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in China, Southeast Asia, Europe and North America. As a matter of policy, the Nagase Group makes every effort to determine trends in markets overseas and respond appropriately to them. However, failure on the part of the Nagase Group to make accurate projections due to unexpected events including factors related to the regulatory systems and customs of overseas countries could impact the Group's performance and financial position.

(6) Impact of Changes in Stock Prices

The Nagase Group maintains a portfolio of marketable stock, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by continuously reviewing and reorganizing its shareholdings. However, changes in stock prices could impact the Group's performance and financial position. Moreover, a drop in stock prices that reduces return on pension plan assets could impact the Group's profitability by increasing retirement benefit costs.

(7) Counterparty Credit Risk

The Nagase Group is exposed to credit risk because it extends credit to counterparties in a diverse array of transactions in Japan and overseas. As a matter of policy, the Nagase Group moves to preclude credit risk with risk hedges such as guarantees and collateral in correlation with the financial condition of counterparties. However, the Nagase Group cannot be absolutely certain that it has avoided credit risk. Deterioration of the financial condition or bankruptcy of counterparties could impact the Group's performance and financial position.

(8) Risk of New Investments

The Nagase Group's businesses are based on brokerage transactions, and the Group is working to develop high-value-added businesses. As a matter of policy, the Nagase Group is therefore supporting the ability of the Nagase R&D Center, Group manufacturing subsidiaries and other Group organizations to provide high-level technologies and information through measures such as aggressively investing in new businesses and strategic acquisitions. However, this policy entails operating risks that are different from those inherent in the Group's conventional low-risk brokerage businesses. The increased latent risks involved could impact the Group's performance and financial position.

(9) Product Quality Risk

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide high added value to customers, and devotes scrupulous attention to the quality of the technologies and products the Group thus provides. Also, the Group handles products for which it assumes liability as their importer. As such, Group devotes significant attention to the quality of these products. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers, which could impact the Group's performance and financial position.

(10) Risks of Handling Various Chemicals

Chemicals are a core business of the Nagase Group, which imports and exports a diverse array of products for a broad range of applications. The Group's exports are therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order, and imports are subject to the Chemical Substances Control Law and other laws and regulations. The Nagase Group has therefore established the Security Trade Control Committee and the Item Compliance Committee, which work to assure compliance with the above regulatory systems and with laws related to chemical product management in China, Southeast Asia, Europe, North America and elsewhere. Contravention of these regulatory systems would result in restrictions on business activities, and therefore could impact the Group's performance and financial position.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2011 and 2010)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current assets:			
Cash and time deposits (Notes 15 and 21)	¥ 47,202	¥ 42,807	\$ 567,673
Notes and accounts receivable (Note 15)	186,113	186,985	2,238,280
Inventories (Note 4)	36,715	31,052	441,551
Deferred income taxes (Note 10)	2,582	2,825	31,052
Other current assets	5,881	6,055	70,728
Less allowance for doubtful accounts	(1,191)	(1,951)	(14,324)
Total current assets	277,304	267,775	3,334,985
Property, plant and equipment, at cost:			
Land (Note 7)	11,747	11,692	141,275
Buildings and structures	40,258	38,427	484,161
Machinery and equipment	45,762	43,152	550,355
Leased assets	507	319	6,097
Construction in progress	535	640	6,434
	98,811	94,231	1,188,346
Less accumulated depreciation	(58,894)	(53,909)	(708,286)
Property, plant and equipment, net	39,916	40,322	480,048
Investments and other assets:			
Investments in securities (Notes 5, 7 and 15):			
Unconsolidated subsidiaries and affiliates	7,403	7,420	89,032
Other	43,322	46,268	521,010
	50,726	53,688	610,054
Long-term loans receivable	599	51	7,204
Deferred income taxes (Note 10)	1,046	968	12,580
Other assets	6,335	5,666	76,188
Less allowance for doubtful accounts	(592)	(384)	(7,120)
Total investments and other assets	58,115	59,991	698,918
Total assets (Note 22)	¥375,336	¥368,088	\$4,513,963

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Current liabilities:			
Short-term loans (Notes 6 and 15)	¥ 15,525	¥ 10,274	\$ 186,711
Current portion of long-term debt and finance lease obligations (Notes 6 and 15)	746	183	8,972
Notes and accounts payable (Note 15)	101,679	108,643	1,222,838
Accrued income taxes (Note 10)	3,947	1,992	47,468
Deferred income taxes (Note 10)	38	21	457
Accrued expenses	3,339	3,120	40,156
Accrued bonuses for employees	3,342	2,814	40,192
Accrued bonuses for directors	212	160	2,550
Other current liabilities	9,685	9,903	116,476
Total current liabilities	138,517	137,114	1,665,869
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 6 and 15)	10,854	11,428	130,535
Deferred income taxes (Note 10)	8,810	9,498	105,953
Accrued retirement benefits for employees (Note 9)	7,295	6,815	87,733
Other liabilities	542	477	6,518
Total long-term liabilities	27,502	28,221	330,752
Contingent liabilities (Note 19)			
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 138,408,285 shares in 2011 and 2010	9,699	9,699	116,645
Capital surplus	10,041	10,040	120,758
Retained earnings (Note 23)	181,665	171,286	2,184,787
Less treasury stock, at cost (Note 12)	(5,460)	(5,427)	(65,664)
Total shareholders' equity	195,946	185,599	2,356,536
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities	13,188	14,961	158,605
Deferred (loss) gain on hedges	(8)	8	(96)
Translation adjustments	(7,610)	(5,225)	(91,521)
Total accumulated other comprehensive income	5,570	9,744	66,987
Stock acquisition rights	235	235	2,826
Minority interests	7,564	7,173	90,968
Total net assets	209,316	202,753	2,517,330
Total liabilities and net assets	¥375,336	¥368,088	\$4,513,963

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2011 and 2010)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales (Note 22)	¥660,213	¥603,949	\$7,940,024
Cost of sales (Note 17)	587,204	538,534	7,061,984
Gross profit	73,008	65,415	878,028
Selling, general and administrative expenses (Note 17)	54,276	52,286	652,748
Operating income (Note 22)	18,732	13,128	225,280
Other income (expenses):			
Interest and dividend income	1,381	997	16,609
Interest expense	(568)	(608)	(6,831)
Equity in earnings of affiliates	300	291	3,608
Gain on sales of investments in securities	1,190	165	14,311
Reversal of allowance for doubtful accounts	282	—	3,391
Loss on devaluation of investments in securities	(260)	(706)	(3,127)
Gain on sales of property and equipment	526	20	6,326
Loss on disposal of property and equipment	(217)	(167)	(2,610)
Provision of allowance for doubtful accounts for subsidiaries and an affiliate	(699)	—	(8,406)
Gain on recognition of negative goodwill (Note 13)	20	—	241
Loss on step acquisitions (Note 13)	(341)	—	(4,101)
Loss on impairment of fixed assets	(50)	(102)	(601)
Special retirement expenses	—	(174)	—
Other, net	620	690	7,456
Income before income taxes and minority interests	20,918	13,534	251,569
Income taxes (Note 10):			
Current	7,005	4,103	84,245
Deferred	280	1,505	3,367
Income before minority interests	13,632	7,925	163,945
Minority interests	809	387	9,729
Net income	¥ 12,823	¥ 7,537	\$ 154,215

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Year ended March 31, 2011)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥13,632		\$163,945
Other comprehensive loss:			
Net unrealized holding loss on securities	(1,780)		(21,407)
Deferred loss on hedges	(18)		(216)
Translation adjustments	(2,531)		(30,439)
Share of other comprehensive loss of affiliates accounted for by the equity method	(110)		(1,323)
	(4,441)		(53,410)
Comprehensive income	¥ 9,191		\$110,535
Comprehensive income attributable to:			
Shareholders of the Company	¥ 8,648		\$104,005
Minority interests	542		6,518

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2011 and 2010)

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2009	¥9,699	¥10,040	¥168,257	¥(5,385)	¥182,611	¥ 7,939	¥ 64	¥(6,016)	¥235	¥7,096	¥191,931
Net income for the year	—	—	7,537	—	7,537	—	—	—	—	—	7,537
Gain on sales of treasury stock	—	0	—	0	1	—	—	—	—	—	1
Cash dividends	—	—	(1,928)	—	(1,928)	—	—	—	—	—	(1,928)
Purchases of treasury stock	—	—	—	(50)	(50)	—	—	—	—	—	(50)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(6)	—	(6)	—	—	—	—	—	(6)
Adjustments due to change in scope of application of equity method	—	—	(2,572)	8	(2,564)	—	—	—	—	—	(2,564)
Other	—	—	—	—	—	7,021	(56)	790	—	77	7,833
Balance at March 31, 2010	9,699	10,040	171,286	(5,427)	185,599	14,961	8	(5,225)	235	7,173	202,753
Net income for the year	—	—	12,823	—	12,823	—	—	—	—	—	12,823
Gain on sales of treasury stock	—	0	—	—	0	—	—	—	—	—	0
Cash dividends	—	—	(2,313)	—	(2,313)	—	—	—	—	—	(2,313)
Purchases of treasury stock	—	—	—	(33)	(33)	—	—	—	—	—	(33)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(51)	—	(51)	—	—	—	—	—	(51)
Adjustments due to change in scope of application of equity method	—	—	(137)	—	(137)	—	—	—	—	—	(137)
Increase in retained earnings resulting from merger	—	—	58	—	58	—	—	—	—	—	58
Other	—	—	—	—	—	(1,773)	(16)	(2,384)	—	390	(3,783)
Balance at March 31, 2011	¥9,699	¥10,041	¥181,665	¥(5,460)	¥195,946	¥ 13,188	¥ (8)	¥(7,610)	¥235	¥7,564	¥209,316

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2010	\$116,645	\$120,746	\$2,059,964	\$(65,268)	\$2,232,099	\$179,928	\$96	\$(62,838)	\$2,826	\$86,266	\$2,438,400
Net income for the year	—	—	154,215	—	154,215	—	—	—	—	—	154,215
Gain on sales of treasury stock	—	0	—	—	0	—	—	—	—	—	0
Cash dividends	—	—	(27,817)	—	(27,817)	—	—	—	—	—	(27,817)
Purchases of treasury stock	—	—	—	(397)	(397)	—	—	—	—	—	(397)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(613)	—	(613)	—	—	—	—	—	(613)
Adjustments due to change in scope of application of equity method	—	—	(1,648)	—	(1,648)	—	—	—	—	—	(1,648)
Increase in retained earnings resulting from merger	—	—	698	—	698	—	—	—	—	—	698
Other	—	—	—	—	—	(21,323)	(192)	(28,671)	—	4,690	(45,496)
Balance at March 31, 2011	\$116,645	\$120,758	\$2,184,787	\$(65,664)	\$2,356,536	\$158,605	\$(96)	\$(91,521)	\$2,826	\$90,968	\$2,517,330

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Operating activities			
Income before income taxes and minority interests	¥ 20,918	¥ 13,534	\$ 251,569
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	6,387	5,976	76,813
Loss on impairment of fixed assets	50	102	601
Provision for (reversal of) accrued retirement benefits for employees, net of payments	483	(78)	5,809
Interest and dividend income	(1,381)	(997)	(16,609)
Interest expense	568	608	6,831
Exchange (gain) loss, net	(298)	14	(3,584)
Gain on sales of property and equipment, net	(504)	(11)	(6,061)
Gain on sales of investments in securities, net	(1,115)	(82)	(13,410)
Loss on devaluation of investments in securities	260	706	3,127
Changes in operating assets and liabilities:			
Notes and accounts receivable	(2,272)	(19,733)	(27,324)
Prepaid pension expense	—	1,388	—
Inventories	(6,472)	9,400	(77,835)
Notes and accounts payable	(4,273)	18,129	(51,389)
Allowance for voluntary recall expenses	—	(136)	—
Other, net	2,643	1,807	31,786
Subtotal	14,994	30,628	180,325
Interest and dividends received	1,596	1,196	19,194
Interest paid	(563)	(623)	(6,771)
Income taxes paid	(5,029)	(3,326)	(60,481)
Net cash provided by operating activities	10,997	27,875	132,255
Investing activities			
Purchases of short-term investments in securities	—	(10,000)	—
Proceeds from sales of short-term investments in securities	—	10,000	—
Purchases of property and equipment	(5,708)	(6,537)	(68,647)
Proceeds from sales of property and equipment	574	29	6,903
Purchases of investments in securities	(1,588)	(3,333)	(19,098)
Proceeds from sales of investments in securities	2,082	1,059	25,039
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(187)	—
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(460)	—	(5,532)
Purchases of investments in capital	(168)	(177)	(2,020)
Increase in short-term loans receivable, net	(1,225)	(229)	(14,732)
Purchases of intangible fixed assets	(1,825)	(672)	(21,948)
Other, net	(827)	610	(9,946)
Net cash used in investing activities	(9,147)	(9,438)	(110,006)
Financing activities			
Increase (decrease) in short-term loans, net	6,114	(9,657)	73,530
Proceeds from long-term debt	138	200	1,660
Cash dividends paid	(2,313)	(1,928)	(27,817)
Cash dividends paid to minority shareholders	(152)	(182)	(1,828)
Other, net	(222)	(184)	(2,670)
Net cash provided by (used in) financing activities	3,564	(11,753)	42,862
Effect of exchange rate changes on cash and cash equivalents	(1,253)	(18)	(15,069)
Net increase in cash and cash equivalents	4,161	6,664	50,042
Cash and cash equivalents at beginning of the year	42,807	36,137	514,817
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	204	6	2,453
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	29	—	349
Cash and cash equivalents at end of the year (Note 21)	¥ 47,202	¥ 42,807	\$ 567,673

See accompanying notes to consolidated financial statements.

1. BASIS OF PREPARATION

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

Effective the year ended March 31, 2011, the Company has adopted the "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan (ASBJ) Statement No. 25 issued on June 30, 2010). In connection with the adoption of this standard, "Accumulated other comprehensive income (loss)" and "Total accumulated other comprehensive income" shown in the accompanying consolidated balance sheet as of March 31, 2010 had previously been stated as "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively, in the prior year's consolidated balance sheet.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies that it controls directly or indirectly. Significant affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. All significant intercompany balances and transactions have been eliminated in consolidation.

The overseas consolidated subsidiaries have a December 31 year-end closing date and one domestic consolidated subsidiary's year end is at the end of February, both of which differ from the year-end date of the Company. As a result, adjustments have been made for any significant intercompany transactions that took place during the periods between the year ends of these subsidiaries and the year end of the Company.

Unrealized intercompany gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests, net unrealized holding gain on securities, and deferred (loss) gain on hedges are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" as a component of accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(d) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined primarily by the weighted-average method.

In addition, a certain reclassification of previously stated amounts has been made to conform the consolidated financial statements for the year ended March 31, 2010 to the 2011 presentation. Such reclassification had no effect on consolidated net income or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥83.15 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2011. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2011 and 2010 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2011 and 2010 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and have been accounted for as outlined above.

(f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method over the useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998.

Property, plant and equipment owned by certain consolidated subsidiaries are depreciated by the straight-line method.

(g) Computer Software (except for leased assets)

Costs incurred for computer software obtained for internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

(h) Goodwill

Goodwill is amortized primarily over a period of five years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leased Assets

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of the contract as the useful life.

Finance lease transactions commencing on or before March 31, 2008 other than those in which the ownership of the leased assets is transferred to the lessee are accounted for in the same manner as operating leases.

(j) Allowance for Doubtful Receivables

The Company and its consolidated subsidiaries provide allowances for doubtful receivables based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an

accrual basis. Deferred income tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the enacted tax laws.

(l) Accrued Bonuses for Employees

Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees and are charged to income in the current year.

(m) Accrued Bonuses for Directors

Accrued bonuses for directors are provided based on the estimated amount of bonuses to be paid to directors and are charged to income in the current year.

(n) Retirement Benefits

The Company has defined benefit pension plans, defined contribution pension plans and retirement benefit plans. The consolidated subsidiaries have defined benefit pension plans, defined contribution plans and retirement benefit plans.

The Company has established an employees' retirement benefit trust for the payment of retirement benefits.

Actuarial gain or loss is principally credited or charged to income in the year following the year in which such gain or loss is recognized for financial reporting purposes. Prior service cost is charged to income in the year in which such cost is recognized for financial reporting purposes.

(Supplementary information)

One domestic consolidated subsidiary transferred its tax-qualified pension plan to a defined contribution pension plan on November 1, 2009, and in connection with this transfer, the Company recognized the terminal loss of ¥91 million as other expenses, which was included in other, net in the consolidated statement of income for the year ended March 31, 2010 in accordance with "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1).

(o) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize derivative financial instruments principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established a control environment that includes policies and

procedures for risk assessment in accordance with the Company's rules for foreign exchange transactions and interest-rate swap transactions.

Under these rules, the Company conducts transactions within a certain range and places limits on the applicable assets and liabilities based on the actual demand. In addition, the Company assesses the effectiveness of the hedging activities and verifies the approval, reporting and monitoring of all transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

If an interest-rate swap contract meets certain criteria, the net amount to be paid or received under the contract is added to or deducted from the interest on the underlying hedged item.

Receivables and payables hedged by forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates ("Allocation method").

The Company and its consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange contracts. They are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest-rate contracts; however, they do not anticipate non-performance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivatives are carried at fair value with any changes in unrealized gain or loss credited or charged to income except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is reported as a separate component of accumulated other comprehensive income (loss).

(p) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(q) Distributions of Retained Earnings

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 23)

3. CHANGES IN ACCOUNTING POLICIES

(a) Accounting Standard for Equity Method of Accounting for Investments

Effective the year ended March 31, 2011, the Company has adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force (PITF) No. 24 issued on March 10, 2008). The adoption of this standard had no impact on operating results for the year ended March 31, 2011.

(b) Accounting Standard for Asset Retirement Obligations

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and the "Implementation Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008). The adoption of this standard had no impact on operating results for the year ended March 31, 2011.

(c) Accounting Standard for Business Combinations and Others

Effective the year ended March 31, 2011, the Company and its domestic consolidated subsidiaries have adopted the "Accounting Standard for Business Combinations" (ASBJ

Statement No. 21 issued on December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), the "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008).

(d) Partial Amendments to Accounting Standard for Retirement Benefits

Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued on July 31, 2008). The adoption of this standard had no impact on operating results for the year ended March 31, 2010.

4. INVENTORIES

Inventories at March 31, 2011 and 2010 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise and finished goods	¥34,033	¥28,456	\$409,296
Work in process	531	566	6,386
Raw materials and supplies	2,150	2,029	25,857
Total	¥36,715	¥31,052	\$441,551

5. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2011 and 2010 are summarized as follows:

	2011				2010			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:								
Equity securities	¥18,413	¥22,478	¥ (648)	¥40,243	¥19,001	¥24,575	¥ (301)	¥43,277
Government bonds	—	—	—	—	14	0	—	14
Total	¥18,413	¥22,478	¥ (648)	¥40,243	¥19,015	¥24,576	¥ (301)	¥43,291

	2011			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	\$221,443	\$270,331	\$ (7,793)	\$483,981
Government bonds	—	—	—	—
Total	\$221,443	\$270,331	\$ (7,793)	\$483,981

(b) Securities classified as other securities for which market value was not determinable at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Market value not determinable:			
Equity securities	¥3,079	¥2,977	\$37,029
Total	¥3,079	¥2,977	\$37,029

Please refer to Note 15.

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Proceeds from sales	¥2,070	¥179	\$24,895
Gain on sales	1,190	140	14,311
Loss on sales	18	—	216

6. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2011 and 2010 principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 1.87% and 2.12% per annum, respectively.

Long-term debt and finance lease obligations at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured loans from banks and insurance companies, payable in yen, euro and RMB, due through 2018, at rates from 1.37% to 5.35%	¥11,168	¥11,242	\$134,311
Lease obligations	430	369	5,171
	11,600	11,611	139,507
Less current portion	(746)	(183)	(8,972)
Total	¥10,854	¥11,428	\$130,535

The aggregate annual maturities of long-term debt and finance lease obligations subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 746	\$ 8,972
2013	5,856	70,427
2014	4,555	54,781
2015	223	2,682
2016 and thereafter	218	2,622
Total	¥11,600	\$139,507

7. PLEDGED ASSETS

At March 31, 2011, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 560	\$ 6,735
Investments in securities	1,609	19,351
Total	¥2,169	\$26,085

8. COMPREHENSIVE INCOME

Comprehensive income attributable to shareholders of the Company and minority interests and other comprehensive income for the year ended March 31, 2010 were as follows:

	Millions of yen
	2010
Comprehensive income attributable to:	
Shareholders of the Company	¥15,294
Minority interests	460
Total	¥15,755

	Millions of yen
	2010
Other comprehensive income:	
Net unrealized holding gain on securities	¥6,956
Deferred loss on hedges	(54)
Translation adjustments	810
Share of other comprehensive income of affiliates accounted for by the equity method	117
Total	¥7,829

9. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans. Also, the Company and certain domestic consolidated subsidiaries have a defined contribution pension plan.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligation	¥(20,577)	¥(20,443)	\$ (247,468)
Plan assets at fair value	12,598	13,719	151,509
Unfunded retirement benefit obligation	(7,979)	(6,724)	(95,959)
Unrecognized actuarial loss (gain)	683	(91)	8,214
Net retirement benefit obligation	(7,295)	(6,815)	(87,733)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ (7,295)	¥ (6,815)	\$ (87,733)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 940	¥ 961	\$11,305
Interest cost	435	453	5,232
Expected return on plan assets	(291)	(270)	(3,500)
Amortization of actuarial (gain) loss	(79)	1,046	(950)
Contributions to defined contribution pension plans	136	94	1,636
Retirement benefit expenses	¥1,142	¥2,284	\$13,734

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

10. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended March 31, 2011 and 2010.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 differ from the statutory tax rate for the following reasons:

	2011
Statutory tax rate	40.7 %
Effect of:	
Expenses not deductible for income tax purposes	2.4
Dividends and other income deductible for income tax purposes	(4.5)
Net adjustment resulting from elimination of dividend income upon consolidation	5.3
Different tax rates applied at overseas subsidiaries	(6.1)
Tax credit	(1.4)
Valuation allowance	(5.5)
Other, net	3.9
Effective tax rate	34.8 %

A reconciliation of the statutory and effective tax rate for the year ended March 31, 2010 was omitted because the difference between the statutory tax rate and the Company's effective tax rate for financial statement purposes was less than 5% of the statutory tax rate.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income purposes.

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Unrealized gain on inventories	¥ 403	¥ 362	\$ 4,847
Allowance for doubtful receivables	646	775	7,769
Investments in securities	2,232	3,651	26,843
Accrued bonuses for employees	1,289	1,087	15,502
Accrued retirement benefits for employees	3,119	3,313	37,511
Other	3,041	2,791	36,572
Gross deferred tax assets	10,733	11,982	129,080
Valuation allowance	(3,777)	(4,936)	(45,424)
Total deferred tax assets	¥ 6,955	¥ 7,045	\$ 83,644
Deferred tax liabilities:			
Revaluation of land	¥ (382)	¥ (371)	\$ (4,594)
Deferred capital gain on property	(1,297)	(1,180)	(15,598)
Net unrealized holding gain on securities	(8,555)	(9,225)	(102,886)
Reserve for special depreciation	(1,460)	(1,744)	(17,559)
Other	(478)	(249)	(5,749)
Total deferred tax liabilities	(12,175)	(12,771)	(146,422)
Net deferred tax liabilities	¥ (5,220)	¥ (5,725)	\$ (62,778)

11. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2011 and 2010 amounted to ¥2,424 million (\$29,152 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2011 and 2010 are summarized as follows:

	Number of shares			
	2011			
	March 31, 2010	Increase	Decrease	March 31, 2011
Common stock	138,408,285	—	—	138,408,285
2010				
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	138,408,285	—	—	138,408,285

12. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2011 and 2010 are summarized as follows:

	Number of shares			
	2011			
	March 31, 2010	Increase	Decrease	March 31, 2011
Treasury stock	9,859,357	35,033	582	9,893,808
2010				
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	9,846,589	47,679	34,911	9,859,357

13. BUSINESS COMBINATIONS

On March 31, 2011, the Company additionally acquired 51% of shares of Sofix Corporation, which was an affiliate accounted for by the equity method, for ¥744 million (\$8,948 thousand) in cash and made it a wholly-owned subsidiary. Sofix Corporation is engaged in the manufacture and sales of products relating to color formers. The Company determined to undertake this acquisition to promote the business of color formers based on the management policy of the Company. The Company did not include operating results of Sofix Corporation in the accompanying consolidated state-

ment of income for the year ended March 31, 2011 because this business combination was completed on March 31, 2011. The Company recorded loss on step acquisitions of ¥341 million (\$4,101 thousand) relating to this business combination in the accompanying consolidated statement of income for the year ended March 31, 2011.

The fair value of assets acquired and liabilities assumed of Sofix Corporation, the acquisition cost and negative goodwill were as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Fair value of assets acquired and liabilities assumed:		
Current assets	¥ 933	\$11,221
Fixed assets	682	8,202
Total assets	¥1,616	\$19,435
Current liabilities	¥ 124	\$ 1,491
Long-term liabilities	10	120
Total liabilities	¥ 135	\$ 1,624
Fair value of net assets at acquisition	¥1,481	\$17,811
Acquisition cost:		
Fair value of shares of Sofix Corporation which the Company owned at acquisition date	¥ 715	\$ 8,599
Additional acquisition cost of shares of Sofix Corporation	744	8,948
Total acquisition cost	¥1,459	\$17,547
Difference: negative goodwill	¥ 20	\$ 241

The effect on the consolidated statement of income for the year ended March 31, 2011, assuming that this acquisition had been completed at April 1, 2010, was immaterial.

14. SHARE-BASED COMPENSATION

At March 31, 2011, the Company had three stock option plans: the 2006, 2007 and 2008 stock option plans.

The 2006 stock option plan (the 2006 plan) was approved by shareholders of the Company on June 28, 2006. The 2006 plan provided for granting options to purchase 781,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,510 (\$18.16) per share at March 31, 2011. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2008 and are scheduled to expire on July 31, 2011.

The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 27, 2007. The 2007 plan provided for granting options to purchase 419,000 shares of common stock to directors, executive officers, technology officers

and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,647 (\$19.81) per share at March 31, 2011. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2009 and are scheduled to expire on July 31, 2012.

The 2008 stock option plan (the 2008 plan) was approved by shareholders of the Company on June 26, 2008. The 2008 plan provided for granting options to purchase 421,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,114 (\$13.40) per share at March 31, 2011. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2010 and are scheduled to expire on July 31, 2013.

Information regarding the Company's stock option plans is summarized as follows:

	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan
Number of shares:				
Outstanding at March 31, 2009	713,000	781,000	419,000	421,000
Granted	—	—	—	—
Expired	(3,000)	(3,000)	(2,000)	(2,000)
Exercised	—	—	—	—
Outstanding at March 31, 2010	710,000	778,000	417,000	419,000
Granted	—	—	—	—
Expired	—	—	—	—
Exercised	—	—	—	—
Outstanding at March 31, 2011	—	778,000	417,000	419,000
		(Yen)		
Fair value of options as of the grant date	—	¥158	¥143	¥124
		(U.S. dollars)		
Fair value of options as of the grant date	—	\$1.90	\$1.72	\$1.49

15. FINANCIAL INSTRUMENTS

(a) Policy for Financial Instruments

The Company and its consolidated subsidiaries (the "Group") invest excess funds in highly secure, short-term financial assets (principal protection). With regard to financing, short-term working funds are raised by bank borrowings or issuance of commercial paper and Group policy is to procure long-term funds with bank borrowings and through the issuance of bonds. The purpose of entering into derivative transactions is to mitigate the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies, and fluctuation risk related to interest rates with respect to loans payable, and derivative transactions are not carried out for speculative purposes.

(b) Types of Financial Instruments, Related Risk and Risk Management for Financial Instruments

Receivables such as trade and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer based on the Group's internal credit rating policy and monitors outstanding balances in conjunction with an established system under which the credit status by each customer is reviewed at least once a year and the credit limit amount updated as necessary.

In the cases of those receivables and liabilities denominated in foreign currencies, foreign currency forward contracts are used to hedge the risk of fluctuation. However, for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the netted position.

Investments in securities are subject to market price fluctuation risk. However, these are mainly shares of common stock of other companies with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuer. The Group also reviews as needed the condition of its holdings with concern to the status of sales and financial transactions.

Short-term loans are raised primarily in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Debt with variable interest rates is subject to the risk of fluctuating interest rates. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives mainly include foreign currencies forward contracts to manage the market risk of fluctuation in foreign currencies and interest-rate swaps to manage the market risk of fluctuating interest rates related to the interest payments for bank loans.

In addition, liabilities and bank loans are exposed to liquidity risk. However, the Group works to build up a clear picture of the balance of inflow and outflow of cash, managing such risk by establishing liquidity on hand in excess of half of the amount of monthly net sales.

(c) Market Value of Financial Instruments

Carrying amount, estimated fair value and unrecognized gain (loss) as of March 31, 2011 and 2010 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2011		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	¥ 47,202	¥ 47,202	¥ —
Notes and accounts receivable	186,113	186,113	(0)
Investments in securities			
Other securities	40,243	40,243	—
Total assets	¥273,558	¥273,558	¥ (0)
Liabilities			
Notes and accounts payable	¥101,679	¥101,679	¥ —
Short-term loans, including current portion of long-term debt	16,138	16,138	—
Long-term debt	10,555	10,699	144
Total liabilities	¥128,372	¥128,516	¥144
Derivatives(*)			
Not subject to hedge accounting	¥ (47)	¥ (47)	¥ —
Subject to hedge accounting	(13)	(13)	—
Total derivative transactions	¥ (60)	¥ (60)	¥ —

	Millions of yen		
	2010		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	¥ 42,807	¥ 42,807	¥ —
Notes and accounts receivable	186,985	186,985	(0)
Investments in securities			
Other securities	43,291	43,291	—
Total assets	¥273,084	¥273,084	¥ (0)
Liabilities			
Notes and accounts payable	¥108,643	¥108,643	¥ —
Short-term loans, including current portion of long-term debt	10,412	10,412	—
Long-term debt	11,104	11,324	219
Total liabilities	¥130,161	¥130,380	¥219
Derivatives(*)			
Not subject to hedge accounting	¥ (128)	¥ (128)	¥ —
Subject to hedge accounting	18	18	—
Total derivative transactions	¥ (110)	¥ (110)	¥ —

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	\$ 567,673	\$ 567,673	\$ —
Notes and accounts receivable	2,238,280	2,238,280	(0)
Investments in securities			
Other securities	483,981	483,981	—
Total assets	\$3,289,934	\$3,289,934	\$ (0)
Liabilities			
Notes and accounts payable	\$1,222,838	\$1,222,838	\$ —
Short-term loans, including current portion of long-term debt	194,083	194,083	—
Long-term debt	126,939	128,671	1,732
Total liabilities	\$1,543,860	\$1,545,592	\$1,732
Derivatives(*)			
Not subject to hedge accounting	\$ (565)	\$ (565)	\$ —
Subject to hedge accounting	(156)	(156)	—
Total derivative transactions	\$ (722)	\$ (722)	\$ —

*Receivables and payables arising from derivative transactions are presented as a net amount. Net payables are presented in parentheses.

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

Cash and time deposits

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

Notes and accounts receivable

The fair value of trade notes and accounts receivable is estimated as the present value of future cash flow of each receivable classified by settlement date and discounted at the market rate of interest at the reporting date.

Investments in securities

The fair value of investment in securities is based on quoted market prices. Please refer to Note 5 regarding respective objectives for holding securities.

Notes and accounts payable, and short-term loans

Since these items are settled in a short period of time, their carrying values approxi-

mate the fair value.

Long-term debt

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

Derivative transactions

Please refer to Note 16.

The carrying value of financial instruments without determinable market value at March 31, 2011 and 2010 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted equity securities	¥ 3,079	¥ 2,977	\$ 37,029
Investments in unconsolidated subsidiaries and affiliates	7,403	7,420	89,032
Total	¥10,482	¥10,397	\$126,061

For the above securities, there is no market price and it is difficult to determine the fair value. Therefore, the fair value of the securities is not included in investments in securities in the summary table of financial instruments.

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2011 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 47,164	¥ —
Notes and accounts receivable	186,091	22
Total	¥233,255	¥ 22

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 567,216	\$ —
Notes and accounts receivable	2,238,016	265
Total	\$2,805,232	\$265

With respect to the redemption schedule of short-term loans, long-term debt and finance lease obligations, please refer to Note 6.

Effective the year ended March 31, 2010, the Company and its consolidated subsidiaries have adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 issued on March 10, 2008).

16. DERIVATIVES AND HEDGING ACTIVITIES

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2011 and 2010 are as follows:

	Type	Millions of yen		
		2011		
		Contract value	Estimated fair value	Unrecognized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Selling:			
	U.S. dollars	¥2,997	¥ (26)	¥ (26)
	Yen	190	(4)	(4)
	Euro	612	(33)	(33)
	Others	7	(0)	(0)
	Buying:			
	U.S. dollars	1,128	(5)	(5)
	Yen	1,311	21	21
	Euro	45	1	1
Others	3	(0)	(0)	
Total		¥6,295	¥ (47)	¥ (47)

	Type	Millions of yen		
		2010		
		Contract value	Estimated fair value	Unrecognized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Selling:			
	U.S. dollars	¥4,538	¥ (109)	¥ (109)
	Yen	1,324	(21)	(21)
	Euro	485	19	19
	Others	2	(0)	(0)
	Buying:			
	U.S. dollars	1,143	7	7
	Yen	994	(25)	(25)
	Euro	37	(0)	(0)
Others	3	0	0	
Total		¥8,530	¥ (128)	¥ (128)

	Type	Thousands of U.S. dollars		
		2011		
		Contract value	Estimated fair value	Unrecognized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Selling:			
	U.S. dollars	\$36,043	\$(313)	\$(313)
	Yen	2,285	(48)	(48)
	Euro	7,360	(397)	(397)
	Others	84	(0)	(0)
	Buying:			
	U.S. dollars	13,566	(60)	(60)
	Yen	15,767	253	253
	Euro	541	12	12
Others	36	(0)	(0)	
Total		\$75,707	\$(565)	\$(565)

Fair value is based on the prices obtained from financial institutions.

The open currency-related derivatives positions designated as hedging instruments at March 31, 2011 and 2010 are as follows:

	Method for hedge accounting	Type of derivative transaction	Major hedged item	Millions of yen		
				2011		
			Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	
Deferral hedge accounting	Forward foreign exchange contracts:					
	Selling:					
	U.S. dollars			¥1,921	¥ —	¥ (24)
	Euro	Accounts receivable		149	1	(5)
	Others			1	—	(0)
	Buying:					
	U.S. dollars			1,109	—	11
	Euro	Accounts payable		141	—	4
	Others			10	—	0
	Allocation method for forward foreign exchange contracts (Note 2(o))	Forward foreign exchange contracts:				
Selling:						
U.S. dollars				3,381	—	(*)
Euro		Accounts receivable		285	—	(*)
Others				155	—	(*)
Buying:						
U.S. dollars				804	—	(*)
Euro		Accounts payable		134	—	(*)
Others				11	—	(*)
Total				¥8,108	¥ 1	¥ (13)

	Method for hedge accounting	Type of derivative transaction	Major hedged item	Millions of yen		
				2010		
			Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	
Deferral hedge accounting	Forward foreign exchange contracts:					
	Selling:					
	U.S. dollars			¥1,664	¥ —	¥ (48)
	Euro	Accounts receivable		123	3	2
	Others			2	—	(0)
	Buying:					
	U.S. dollars			1,991	—	64
	Euro	Accounts payable		83	—	(0)
	Others			6	—	(0)
	Allocation method for forward foreign exchange contracts (Note 2(o))	Forward foreign exchange contracts:				
Selling:						
U.S. dollars				2,013	—	(*)
Euro		Accounts receivable		346	—	(*)
Others				173	—	(*)
Buying:						
U.S. dollars				513	—	(*)
Euro		Accounts payable		69	—	(*)
Others				14	—	(*)
Total				¥7,003	¥ 3	¥ 18

	Method for hedge accounting	Type of derivative transaction	Major hedged item	Thousands of U.S. dollars		
				2011		
			Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value	
Deferral hedge accounting	Forward foreign exchange contracts:					
	Selling:					
	U.S. dollars			\$23,103	\$ —	\$(289)
	Euro	Accounts receivable		1,792	12	(60)
	Others			12	—	(0)
	Buying:					
	U.S. dollars			13,337	—	132
	Euro	Accounts payable		1,696	—	48
	Others			120	—	0
	Allocation method for forward foreign exchange contracts (Note 2(o))	Forward foreign exchange contracts:				
Selling:						
U.S. dollars				40,661	—	(*)
Euro		Accounts receivable		3,428	—	(*)
Others				1,864	—	(*)
Buying:						
U.S. dollars				9,669	—	(*)
Euro		Accounts payable		1,612	—	(*)
Others				132	—	(*)
Total				\$97,511	\$ 12	\$(156)

Fair value is based on the prices obtained from financial institutions.

(*): The fair value of forward foreign exchange contracts that qualify for deferral hedge accounting is included in accounts receivables and accounts payables.

The open interest-related derivatives positions designated as hedging instruments at March 31, 2011 and 2010 are as follows.

		Millions of yen			
		2011			
Method for hedge accounting	Type of derivative transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Swap rate applied to underlying debt (Note 2(o))	Interest-rate swap transaction (pay-fixed, receive-floating)	Long-term debt	¥8,000	¥8,000	(**)

		Millions of yen			
		2010			
Method for hedge accounting	Type of derivative transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Swap rate applied to underlying debt (Note 2(o))	Interest-rate swap transaction (pay-fixed, receive-floating)	Long-term debt	¥8,000	¥8,000	(**)

		Thousands of U.S. dollars			
		2011			
Method for hedge accounting	Type of derivative transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Swap rate applied to underlying debt (Note 2(o))	Interest-rate swap transaction (pay-fixed, receive-floating)	Long-term debt	\$96,212	\$96,212	(**)

(**): Since interest-rate swap agreements are accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term debt, their fair values were included in long-term debt.

17. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2011 and 2010 totaled ¥3,512 million (\$42,237 thousand) and ¥3,241 million, respectively.

18. LEASES

(a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation/amortization and net book value of the leased assets under finance lease contracts, commencing on or before March 31, 2008 that do not transfer ownership to the lessee at March 31, 2011 and 2010, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen							
	2011				2010			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss on fixed assets	Net book value	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	¥ 21	¥ 18	¥—	¥ 3	¥ 87	¥ 54	¥25	¥ 7
Furniture and fixtures	60	46	—	14	116	89	—	26
Software included in other assets	44	33	—	11	44	24	—	20
Total	¥127	¥ 98	¥—	¥28	¥248	¥168	¥25	¥54

	Thousands of U.S. dollars			
	2011			
	Acquisition costs	Accumulated depreciation/amortization	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	\$ 253	\$ 216	\$ —	\$ 36
Furniture and fixtures	722	553	—	168
Software included in other assets	529	397	—	132
Total	\$1,527	\$1,179	\$ —	\$337

The related lease payments, reversal of impairment loss, depreciation/amortization expense and interest expenses related to finance leases accounted for as operating leases for the years ended March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Lease payments	¥37	¥57	\$445
Reversal of impairment loss	25	9	301
Depreciation/amortization expense	33	49	397
Interest expense	2	5	24

Depreciation/amortization is calculated by the straight-line method over the respective lease terms.

Future minimum lease payments subsequent to March 31, 2011 under finance leases other than those which transfer the ownership of the leased assets to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥21	\$253
2013 and thereafter	7	84
Total	¥28	\$337

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2011 under operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥232	\$2,790
2013 and thereafter	542	6,518
Total	¥775	\$9,321

19. CONTINGENT LIABILITIES

At March 31, 2011, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥1,562 million (\$18,785 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥16 million (\$192 thousand).

In addition, at March 31, 2011, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥366 million (\$4,402 thousand).

20. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2011	2010	2011
Net income:			
Basic	¥ 99.76	¥ 58.64	\$ 1.20
Diluted	—	—	—
Net assets	1,568.04	1,519.61	18.86
Cash dividends applicable to the year	22.00	16.00	0.26

Basic net income per share has been computed based on the net income available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share for the years ended March 31, 2011 and 2010 have not been presented because no potentially dilutive shares of common stock were outstanding.

The amounts per share of net assets have been computed based on the number of

shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The financial data used in the computation of basic net income per share and diluted net income per share for the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Net income	¥12,823	¥7,537	\$154,215
Adjusted net income available for distribution to shareholders of common stock	¥12,823	¥7,537	\$154,215
Weighted-average number of shares	128,535,317	128,553,733	

21. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2011 and 2010 and cash and cash equivalents in the accompanying

consolidated statements of cash flows for the years then ended is omitted since there were no reconciliation items.

22. SEGMENT INFORMATION

(a) Overview of reportable segments

The reportable segments of the Company comprise those entities for which obtaining separate financial reports is possible and that are subject to regular review by the Board of Directors, which decides upon the distribution of management resources to said segments.

The Company classifies its business segments based on products and services under the headquarters. Each business segment identifies comprehensive domestic and overseas strategies in addition to pursuing business expansion in its respective product and service area.

The reportable segments (by products and target industry) that comprise the Company's operations are: Chemicals, Plastics, Electronics and Life Sciences.

The Chemicals business segment engages in sales of chemicals to a wide array of industries. Main products include dyestuffs, pigments, information recording products, functional dyes, materials for paints and inks, urethane materials, plastic raw materials and additives, raw materials for industrial oil solutions, surfactants, fluoro-chemicals, raw materials for encapsulants and silicon.

The Plastics business segment engages in sales to the automotive, automotive parts, consumer electronics, office automation, residential construction and other related industries. Main products include thermoplastics, thermoset resins, synthetic rubber, inorganic materials, plastic products, plastic-related equipment, devices and molding,

and optional inspection equipment.

The Electronics business segment engages in sales to the display, touch panel, liquid crystal, semiconductor, electronic component and heavy electric and other industries. Main products include materials and equipment for liquid crystal display panels, semiconductor assembly-related materials and equipment, precision cleaning agents for electronics, low-temperature vacuum equipment and functional epoxy resins.

The Life Sciences business segment engages in sales of materials used in pharmaceuticals and agrichemicals, research products, diagnostic agents, fermentation products, biotechnology-related products, radiation measuring services, cosmetics and health foods and beauty foods.

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

Accounting methods for reportable segments are generally the same as those listed in Note 2. Reportable segment income is correspondence with operating income for the consolidated statements of Income. Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

(c) Information on net sales, income or loss, assets and other items for each reportable segment

Information by reportable segment for the year ended March 31, 2011 is as follows:

	Millions of yen									
	2011									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	¥253,290	¥222,100	¥133,640	¥50,247	¥659,279	¥ 934	¥660,213	¥ —	¥ —	¥660,213
Intersegments sales and transfers	2,315	2,676	544	514	6,050	5,461	11,512	—	(11,512)	—
Net sales	255,605	224,777	134,185	50,762	665,330	6,395	671,725	—	(11,512)	660,213
Segment income	¥ 8,783	¥ 4,767	¥ 6,137	¥ 956	¥ 20,645	¥ 13	¥ 20,659	¥ (2,685)	¥ 758	¥ 18,732
Segment assets	¥107,296	¥100,265	¥ 60,127	¥30,136	¥297,826	¥7,371	¥305,198	¥101,437	¥(31,299)	¥375,336
Other items:										
Depreciation and amortization	467	586	2,703	650	4,409	398	4,807	1,579	—	6,387
Amortization of goodwill	7	—	103	—	110	—	110	0	—	110
Unamortized balance of goodwill	1	—	—	—	1	—	1	—	—	1
Investments in affiliates accounted for by the equity method	99	786	74	1,534	2,495	1,669	4,164	—	—	4,164
Increase in tangible and intangible fixed assets	398	1,014	2,167	262	3,843	47	3,891	3,321	—	7,212

	Thousands of U.S. dollars									
	2011									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	\$3,046,182	\$2,671,076	\$1,607,216	\$604,293	\$7,928,791	\$11,233	\$7,940,024	\$ —	\$ —	\$7,940,024
Intersegments sales and transfers	27,841	32,183	6,542	6,182	72,760	65,676	138,449	—	(138,449)	—
Net sales	3,074,023	2,703,271	1,613,770	610,487	8,001,563	76,909	8,078,473	—	(138,449)	7,940,024
Segment income	\$ 105,628	\$ 57,330	\$ 73,806	\$ 11,497	\$ 248,286	\$ 156	\$ 248,455	\$ (32,291)	\$ 9,116	\$ 225,280
Segment assets	\$1,290,391	\$1,205,833	\$ 723,115	\$362,429	\$3,581,792	\$88,647	\$3,670,451	\$1,219,928	\$(376,416)	\$4,513,963
Other items:										
Depreciation and amortization	5,616	7,048	32,508	7,817	53,025	4,787	57,811	18,990	—	76,813
Amortization of goodwill	84	—	1,239	—	1,323	—	1,323	0	—	1,323
Unamortized balance of goodwill	12	—	—	—	12	—	12	—	—	12
Investments in affiliates accounted for by the equity method	1,191	9,453	890	18,449	30,006	20,072	50,078	—	—	50,078
Increase in tangible and intangible fixed assets	4,787	12,195	26,061	3,151	46,218	565	46,795	39,940	—	86,735

Under the new segmentation policy adopted by the Company, information by reportable segment for the year ended March 31, 2010 would have been as follows:

	Millions of yen									
	2010									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	¥ 237,124	¥ 192,569	¥ 117,591	¥55,542	¥ 602,828	¥1,121	¥ 603,949	¥ —	¥ —	¥ 603,949
Intersegments sales and transfers	1	219	159	17	397	4,193	4,590	—	(4,590)	—
Net sales	237,126	192,788	117,751	55,559	603,225	5,314	608,540	—	(4,590)	603,949
Segment income	¥ 7,838	¥ 3,093	¥ 3,488	¥ 1,559	¥ 15,978	¥ 10	¥ 15,989	¥ (3,198)	¥ 336	¥ 13,128
Segment assets	¥ 103,017	¥ 91,972	¥ 60,866	¥31,889	¥ 287,746	¥7,815	¥ 295,561	¥ 100,131	¥(27,604)	¥ 368,088
Other items:										
Depreciation and amortization	425	745	2,178	805	4,153	331	4,485	1,490	—	5,976
Amortization of goodwill	7	—	123	—	130	—	130	—	—	130
Unamortized balance of goodwill	8	—	103	—	112	—	112	—	(3)	109
Investments in affiliates accounted for by the equity method	959	705	114	1,428	3,208	1,613	4,821	—	—	4,821
Increase in tangible and intangible fixed assets	299	796	3,738	185	5,020	1,387	6,407	859	—	7,266

(d) Geographical information

Net sales for the year ended March 31, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Japan	¥389,379	\$4,682,850
China	112,631	1,354,552
Other	158,202	1,902,610
Total	¥660,213	\$7,940,024

Net sales are classified by countries or region based on locations of customers.

Property, plant and equipment as of March 31, 2011 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Japan	¥36,627	\$440,493
Other	3,289	39,555
Total	¥39,916	\$480,048

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

	Millions of yen						
	2011						
	Reportable Segment				Others	Eliminations or corporate	Total
Chemicals	Plastics	Electronics	Life Sciences				
Loss on impairment of fixed assets	—	—	—	—	—	¥50	¥50

	Thousands of U.S. dollars						
	2011						
	Reportable Segment				Others	Eliminations or corporate	Total
Chemicals	Plastics	Electronics	Life Sciences				
Loss on impairment of fixed assets	—	—	—	—	—	\$601	\$601

(f) Information on gain on recognition of negative goodwill per reportable segments

The Company additionally acquired shares of Sofix Corporation, which was an affiliate accounted for by the equity method. As a result of the acquisition, the Company recorded gain on recognition of negative goodwill of ¥20 million (\$241 thousand) in the Chemicals segment for the year ended March 31, 2011. (Refer to Note 13.)

Effective the year ended March 31, 2011, the Company has adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

Segment information for the year ended March 31, 2010 under the previous accounting standard was as follows:

Report of Independent Auditors

(a) Business Segment Information

Millions of yen								
Year ended March 31, 2010								
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥237,124	¥192,569	¥117,591	¥55,542	¥1,121	¥603,949	¥ —	¥603,949
Intersegment sales	1	219	159	17	4,193	4,590	(4,590)	—
Net sales	237,126	192,788	117,751	55,559	5,314	608,540	(4,590)	603,949
Operating expenses	230,338	190,511	114,973	54,616	5,309	595,748	(4,927)	590,821
Operating income	¥ 6,787	¥ 2,277	¥ 2,778	¥ 942	¥ 5	¥ 12,791	¥ 336	¥ 13,128
Total assets	¥132,059	¥ 98,615	¥ 72,492	¥34,780	¥6,215	¥344,163	¥23,925	¥368,088
Depreciation and amortization	1,636	940	2,131	938	328	5,976	—	5,976
Capital expenditures	1,135	999	3,291	452	1,387	7,266	—	7,266

(b) Geographical Segment Information

Millions of yen								
Year ended March 31, 2010								
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥406,568	¥118,337	¥53,074	¥13,502	¥12,467	¥603,949	¥ —	¥603,949
Intersegment sales	55,798	4,642	1,613	1,148	2,559	65,763	(65,763)	—
Net sales	462,367	122,980	54,687	14,650	15,027	669,713	(65,763)	603,949
Operating expenses	454,294	119,762	53,247	14,582	14,799	656,686	(65,865)	590,821
Operating income	¥ 8,072	¥ 3,218	¥ 1,440	¥ 67	¥ 227	¥ 13,026	¥ 102	¥ 13,128
Total assets	¥286,210	¥ 42,832	¥22,082	¥ 3,959	¥ 7,313	¥362,398	¥ 5,690	¥368,088

(c) Overseas Sales

Millions of yen					
Year ended March 31, 2010					
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	¥144,860	¥67,715	¥16,018	¥14,973	¥243,567
Consolidated net sales					¥603,949
Overseas sales as a percentage of consolidated net sales	24.0%	11.2%	2.6%	2.5%	40.3%

23. SUBSEQUENT EVENT

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at a meeting of the shareholders held on June 28, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥13.0 = U.S.\$0.16 per share)	¥1,670	\$20,084



Ernst & Young ShinNihon LLC

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated balance sheets of NAGASE & CO., LTD. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC
Osaka, Japan
June 28, 2011

Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)
JAPAN					
Manufacturing and Processing					
●	Nagase ChemteX Corp.	Manufacture of epoxy resins, enzymes, industrial chemicals	2,474	1970	100.0
●	Nagase Medicals Co., Ltd.	Manufacture of pharmaceuticals	498	1972	100.0
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	300	1966	100.0
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	270	1952	77.1
●	Kotobuki Kasei Corp.	Molding, processing and sale of plastic products	20	1972	57.5
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these.	45	1989	100.0
●	NCK Ltd.	Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers	10	1985	100.0 (100.0)
○	Sun Delta Corporation	Development of applications for synthetic plastic products and manufacture and sale of processed products	490	2005	50.0
○	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	100	1968	40.0
○	Toyo Beauty Supply Corp.	Contract manufacture of cosmetics	40	1964	40.0
○	eX . Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	23	2003	30.4
○	SN Tech Corporation	Manufacture of developer, recycling business	400	2008	40.0 (5.0)
	Nagase Filters Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	80	2006	100.0
	Kawai Hiryo Corporation	Manufacture and sale of organic fertilizers and agricultural chemicals and materials	13	1981	100.0 (33.3)
	Nihon Bio Fertilizer Co., Ltd.	Manufacture and sale of organic fertilizer	11	1986	100.0 (100.0)
	Yuki Saisei co., Ltd.	Development, design and maintenance of fertilizer manufacturing equipment and provision of related consulting services	10	2000	100.0 (100.0)
	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	250	1985	90.0
	CAPTEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	496	2004	100.0
Servicing					
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	401	1982	100.0
●	Hoei Techno Service Co., Ltd.	Duplication and processing of computer software, warehousing and distribution	50	1991	100.0 (100.0)
●	Nagase General Service Co., Ltd.	Sale and lease of various goods, real estate administration	20	1983	100.0
●	Nagase Information Development, Ltd.	Software development and maintenance	30	1987	100.0
●	Nagase Trade Management Co., Ltd.	Business agent for foreign trade documentation	20	1996	100.0
○	Nippon Vopac Co., Ltd.	Warehousing, motor truck carrier business and freight transportation services	404	1966	20.0
○	Nagase Landauer, Ltd.	Radiation measuring services	88	1974	50.0
	iGENE Therapeutics, Inc.	Research and development of bioreagents based on RNAi technology, contract development, manufacturing, importing and exporting, sales and technological guidance	26	2003	100.0
	Green Park Company, Ltd.	Contract operation and management of monthly/coin parking and planning, research, design, consulting, and information services for effective use of car parking	10	2002	100.0 (100.0)
	Umemoto Sagyo & Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	10	1954	100.0 (100.0)
	ON Co-Labo Corporation	Promotion and handling of overseas textile related business	70	2007	50.0 (25.0)
	Choko Co., Ltd.	Insurance agency	15	1971	37.7

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)
Sales					
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	60	1995	100.0
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	96	1975	100.0
●	Nagase Colors & Chemicals Co., Ltd.	Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision	100	1957	100.0
●	Hoei Sangyo Co., Ltd.	Sale of film materials, magnetic products, information imaging materials, etc.	250	1974	80.5
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	100	1991	100.0
●	Nishinihon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	60	1969	100.0
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	20	1979	100.0
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	50	1955	100.0
●	Nagase Sanbio Co., Ltd.	Sale of enzymes and additives for food and feed	30	1987	100.0 (13.0)
●	Nagase Chemspec Co., Ltd.	Sale and technological servicing of chemicals	30	1976	100.0
	Nihon UNF Co., Ltd.	Manufacture, sale, and import/export of pharmaceuticals and quasi drugs, management consulting, and investing business	26	2001	20.0
	OnFine Co., Ltd.	Manufacture and sale of electronics and fluorine and polysilane variants for use in materials	10	2002	25.0
	Aikawa Kogyo Co., Ltd.	Sale of resin for automobile models, prototype materials and carbon-fiber composite materials	10	1965	100.0
GREATER CHINA AND KOREA					
Manufacturing and Processing					
●	Nagase ChemteX (Wuxi) Corp.	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology services	US\$3,500	2002	100.0 (50.0)
●	Nagase International Electronics Ltd.	Process and assembly of films in South China	HK\$10,000	2004	100.0 (20.0)
●	Totaku Industries Suzhou Co., Ltd.	Manufacture and sale of plastic products	US\$1,700	2005	100.0 (100.0)
●	Nagase Precision Plastics Shanghai Co., Ltd.	Plastic tray molding	550	2001	99.0 (5.0)
●	Nagase Electronics Technology Co., Ltd.	Chemical etching of liquid crystal glass panel units	NT\$178,000	2005	71.0 (11.0)
	Nagase Electronics Technology (Xiamen) Co., Ltd.	Chemical etching of liquid crystal glass panel units	US\$6,000	2010	100.0 (100.0)
	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	US\$7,000	2001	20.0
	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	US\$5,000	2004	20.0
	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	US\$3,770	1993	24.2
	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	US\$3,300	2005	30.0
Servicing					
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	WON150,000	1997	100.0
	Nagase Marketing and Service (Shenzhen) Ltd.	Contract customer services	HK\$1,000	2006	100.0 (100.0)
	Nagase CMS Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	US\$200	2006	100.0 (60.0)
	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	HK\$700	2008	60.0 (30.0)

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)
Sales					
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	HK\$3,120	1971	100.0
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	US\$2,400	1998	70.0 (53.8)
	Suzhou Branch				
	Ningbo Branch				
	Chengdu Branch				
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$1,000	1997	100.0
	Nanjing Branch				
●	Nagase Wahlee Plastics Corp.	Sale of plastics and related products	NT\$100,000	1990	60.0 (5.0)
	Taichung Office				
	Gangshan Office				
●	NWP (B.V.I.) Corporation	Investment business	US\$2,420	2007	100.0 (100.0)
●	Guangzhou Nagase Trading Ltd.	Import/export, domestic sales, marketing	US\$500	2002	100.0 (100.0)
	Wuhan Branch				
	Chongqing Branch				
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	NT\$45,000	1988	100.0
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$300	2003	100.0
	Dalian Branch				
	Qingdao Branch				
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	US\$1,200	2004	100.0 (100.0)
	Guangzhou Branch				
●	Nagase Korea Corp.	General import/export trading, retailing/wholeselling, import/export trade agency	WON700,000	2001	100.0
	Nagase Business Management and Planning (Shanghai) Co., Ltd.	Management of Nagase Group operations and promotion of business strategies related to Greater China	US\$2,000	2011	100.0
	Xiamen Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$500	2011	100.0 (100.0)
ASEAN AND THE MIDDLE EAST					
Manufacturing and Processing					
●	Nagase Finechem Singapore (Pte) Ltd.	Manufacture and recycling of chemical agents for liquid crystals	S\$14,000	2001	100.0 (40.0)
○	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	BAHT370,000	1997	40.0
○	Automotive Mold Technology Co.,Ltd.	Manufacture of automotive molds and dies	BAHT280,000	2000	32.1
	Nafuko Co.,Ltd.	Manufacture, import/export and sale of packaging materials and related equipment	BAHT10,000	1996	28.0 (28.0)
	Dainichi Color Vietnam Co.,Ltd.	Manufacture and sale of color masterbatch blend for plastic	US\$8,700	2005	40.0
	Pac Tech Asia Sdn. Bhd.	Manufacture and sales of semiconductor manufacturing equipment, contract processing for wafer bumping	RM10,000	2006	100.0 (100.0)
	P.T. Toyo Quality One Indonesia	Manufacture of flame lamination products	US\$1,500	2008	25.0
	ZCL Chemicals Ltd.	Contract synthesis and process development	INR100,000	1991	25.0

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)
Sales					
●	Nagase (Thailand) Co.,Ltd.	Import/export, domestic sales, marketing	BAHT87,000	1989	100.0
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	S\$2,700	1975	100.0
	Australia Branch				
	Vietnam Representative Office				
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	RM1,500	1981	100.0
	Johor Bahru Office				
	Penang Office				
●	P.T. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	US\$500	1998	100.0 (10.0)
●	Nagase Philippines Corp.	Import/export, domestic sales, marketing	PHP45,893	1997	100.0
●	Nagase Philippines International Services Corp.	Domestic sales, import/export	PHP40,000	2005	100.0
●	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	US\$3,000	2008	100.0
	Nagase & Co., Ltd. Hanoi Representative Office	Representative Office			
	Nagase India Private Ltd.	Import/export, domestic sales, marketing	INR200,000	2006	100.0 (0.1)
	North India Branch				
	Nagase (Siam) Co., Ltd.	Provision of commissioned services for Group companies	BAHT4,000	2000	49.0 (49.0)
	Nagase & Co., Ltd. Dubai Branch	Branch			
NORTH AND CENTRAL AMERICA					
Manufacturing and Sales					
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	US\$3,773	2001	100.0 (100.0)
●	Sofix Corp.	Manufacture and sale of color formers	US\$20,000	1990	100.0
	KN Plotech America Corporation	Manufacture and sale of blow-formed plastic components and products	US\$7,500	2010	50.0
	TIMLE S.A. DE C.V.	Manufacture and sale of automotive laminated frames Sale of automotive urethane foam	US\$3,000	2010	15.0
Sales					
●	Nagase America Corp.	Import/export, domestic sales, marketing	US\$3,500	1971	100.0
	Michigan Branch				
	California Branch				
	Nagase Enterprise Mexico S.A.de C.V.	Import/export sales, intermediate trade, market development, information collection	Peso6,500	2010	100.0 (100.0)
EUROPE					
Manufacturing and Processing					
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	EUR188	1995	59.9
Sales					
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	EUR1,200	1980	100.0
	Hungary Representative Office				
	London Branch				
	Poland Representative Office				

About Nagase & Co., Ltd.

Company Name		NAGASE & CO., LTD.															
Founded		June 18, 1832															
Established		December 9, 1917															
Paid-in Capital		¥9,699 million															
Number of Employees		963 (Consolidated: 4,693)															
Main Business		Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods															
Main Banks		Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., The Sumitomo Trust & Banking Co., Ltd., The Norinchukin Bank															
Main Offices		<table border="0"> <tr> <td>Osaka Head Office</td> <td>:</td> <td>1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114</td> </tr> <tr> <td>Tokyo Head Office</td> <td>:</td> <td>5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021</td> </tr> <tr> <td>Nagoya Branch Office</td> <td>:</td> <td>3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615</td> </tr> <tr> <td>Nagase R&D Center</td> <td>:</td> <td>Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162</td> </tr> <tr> <td>Nagase Application Workshop</td> <td>:</td> <td>2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730</td> </tr> </table>	Osaka Head Office	:	1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114	Tokyo Head Office	:	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021	Nagoya Branch Office	:	3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615	Nagase R&D Center	:	Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162	Nagase Application Workshop	:	2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730
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History

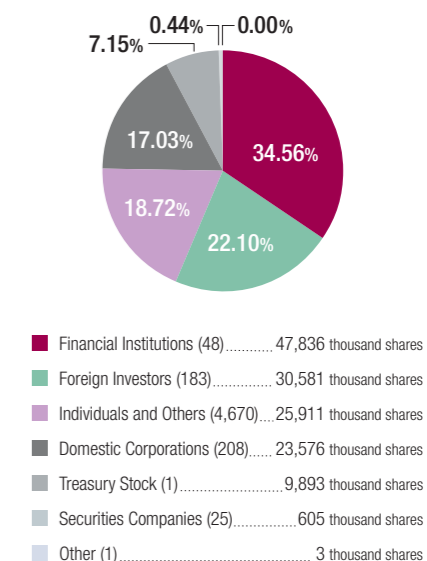
1832	<ul style="list-style-type: none"> Nagase founded in Kyoto as a dyestuffs trading concern Sales of dyestuffs, starches and funori seaweed 	1893	<ul style="list-style-type: none"> Established Osaka branch office
1898	<ul style="list-style-type: none"> Head office moved to Osaka, branch office to Kyoto 	1900	<ul style="list-style-type: none"> Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)
1911	<ul style="list-style-type: none"> Established Tokyo branch office 	1917	<ul style="list-style-type: none"> Inaugurated as Nagase Shoten Company with capital of ¥3 million
1923	<ul style="list-style-type: none"> Established business ties with Eastman Kodak Co. of the United States 	1930	<ul style="list-style-type: none"> Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States
1940	<ul style="list-style-type: none"> Established Nagoya branch office 	1943	<ul style="list-style-type: none"> Company name changed to Nagase & Co., Ltd.
1964	<ul style="list-style-type: none"> Listed Company shares on the Osaka Securities Exchange 	1968	<ul style="list-style-type: none"> Concluded an exclusive distributorship agreement with General Electric Co. of the United States
1970	<ul style="list-style-type: none"> Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd. Listed Company shares on the Tokyo Stock Exchange 	1971	<ul style="list-style-type: none"> Established Nagase (Hong Kong) Ltd. and Nagase America Corp. Established Engineering Plastics, Ltd. jointly with General Electric Co.
1974	<ul style="list-style-type: none"> Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States 	1975	<ul style="list-style-type: none"> Established Nagase Singapore (Pte) Ltd.
1980	<ul style="list-style-type: none"> Established Nagase (Europa) GmbH 	1982	<ul style="list-style-type: none"> Established Nagase (Malaysia) Sdn. Bhd.
1985	<ul style="list-style-type: none"> Established Seoul branch office 	1988	<ul style="list-style-type: none"> Established Nagase (Taiwan) Co., Ltd.
1989	<ul style="list-style-type: none"> Established Nagase (Thailand) Co., Ltd. Established Nagase Science and Technology Foundation Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system 	1990	<ul style="list-style-type: none"> Established Sofix Corp. Set up the Nagase R&D Center in Kobe Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)
1997	<ul style="list-style-type: none"> Established Nagase Philippines Corp. Established Shanghai Nagase Trading Co., Ltd. Established Nagase Engineering Service Korea Co., Ltd. 	1998	<ul style="list-style-type: none"> Established P.T. Nagase Impor-Ekspor Indonesia Established Shanghai Hua Chang Trading Co., Ltd.
2001	<ul style="list-style-type: none"> Closed the Seoul branch office and established Nagase Korea Corp. Established Nagase Finechem Singapore (Pte) Ltd. Established Nagase Precision Plastics Shanghai Co., Ltd. 	2002	<ul style="list-style-type: none"> Established Guangzhou Nagase Trading Ltd. Established a representative office in Hanoi, Vietnam Established Nagase ChemteX (Wuxi) Corp.
2004	<ul style="list-style-type: none"> Established Nagase International Electronics Ltd. Established NWP International Trading (Shenzhen) Co., Ltd. 	2005	<ul style="list-style-type: none"> Established Totaku Industries Suzhou Co., Ltd. Established Nagase Electronics Technology Co., Ltd. Established Nagase Philippines International Services Corp.
2006	<ul style="list-style-type: none"> Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH Established Nagase India Private Ltd. 	2007	<ul style="list-style-type: none"> Established Nagase Application Workshop
2008	<ul style="list-style-type: none"> Established Sakai Sales Office Established Nagase Vietnam Co., Ltd. 	2009	<ul style="list-style-type: none"> Opened a branch office in Dubai

Stock Listings		First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Code		8012
Authorized Number of Shares		346,980,000
Issued Number of Shares		138,408,285
Number of Shareholders		5,136
Principal Shareholders		

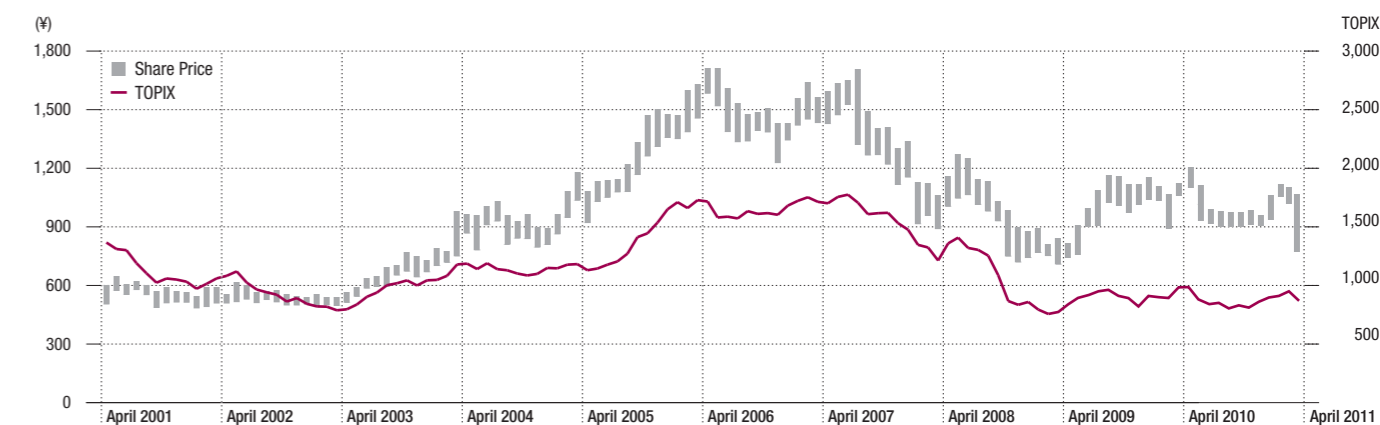
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	8,634	6.24
The Master Trust Bank of Japan, Ltd.(Trust Account)	7,088	5.12
The Sumitomo Trust & Banking Co., Ltd.	5,776	4.17
Japan Trustee Services Bank, Ltd. (Trust Account)	5,476	3.96
Nippon Life Insurance Company	4,984	3.60
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,223	3.05
Reiko Nagase	3,522	2.54
NORTHERN TRUST CO. AVFC RE U.S. TAX EXEMPTED PENTION FUNDS	3,391	2.45
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.13

Note: In addition to the above, the Company holds 9,893 thousand shares of treasury stock without voting rights.

Composition of Shareholders



Monthly Share Price Range of Nagase



Monthly Trading Volume

