

NAGASE

NAGASE & CO., LTD.

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NAGASE & CO., LTD. ANNUAL REPORT 2012



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

NAGASE

Annual Report 2012

Year ended March 31, 2012

Contents

- 1 — New Medium-Term Management Plan **Change-S2014**
- 8 — 12-Year Financial Highlights
- 10 — To Our Stakeholders
- 12 — Message from the President
- 18 — Nagase Group Businesses
- 20 — Functional Materials
- 22 — Advanced Materials & Processing
- 24 — Electronics
- 26 — Automotive & Energy
- 28 — Life & Healthcare
- 30 — Greater China
- 31 — ASEAN and the Middle East
- 32 — Nagase ChemteX Corp.
- 34 — Hayashibara Co., Ltd.
- 35 — Nagase R&D Center
- 36 — Nagase Application Workshop



- 37 — CSR Management
- 38 — Directors, Corporate Auditors and Executive Officers
- 39 — Corporate Governance
- 42 — Risk Management and Compliance
- 44 — Environmental Management
- 45 — Nagase's Environment Business
- 48 — Social Contribution Activities
- 49 — Together with Our Employees (Diversity and Work-Life Balance)
- 52 — Six-Year Summary
- 53 — Management's Discussion and Analysis of Operations and Finances
- 60 — Consolidated Balance Sheets
- 62 — Consolidated Statements of Income
- 62 — Consolidated Statements of Comprehensive Income
- 63 — Consolidated Statements of Changes in Net Assets
- 64 — Consolidated Statements of Cash Flows
- 65 — Notes to Consolidated Financial Statements
- 83 — Independent Auditor's Report
- 84 — Consolidated Subsidiaries, Affiliates and Offices
- 88 — Corporate Information
- 89 — Investor Information

Forward-Looking Statements
 Non-historic information contained in this annual report related to Nagase & Co. and Nagase Group revenue and profit plans, strategies, presumptions, etc. are forward-looking statements that include elements of risk and uncertainty. Actual earnings may differ significantly from forecasts due to changes in these elements. Accordingly, the reader is cautioned to refrain from placing undue reliance on such future forecasts contained in this document. Elements that could impact earnings results are not necessarily limited to those explicitly noted in this document.

The Nagase Group: A technology- and intelligence-oriented company that turns wisdom into business

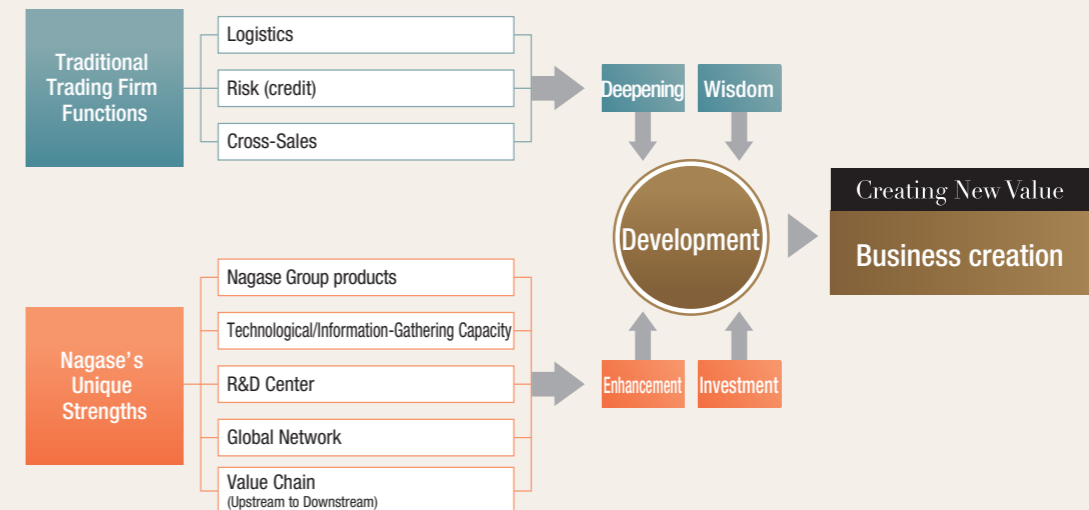
In 1832, Nagase & Co., the central company of what would become the Nagase Group, was founded as a dyestuffs wholesaler in Kyoto, Japan. In 1900, the company started importing synthetic dyes from Basel Chemical Co, of Switzerland, pioneering new markets throughout the world in cooperation with its customers. Since that time, the Company has created a strong and growing foundation of technology, information, and expertise. Today, the Nagase Group boasts more than 6,000 leading corporate customers, numerous employees with advanced technical skills, strong manufacturing, research, and development functions, and a solid financial foundation.

Moving forward, the Nagase Group intends to exercise all efforts to generate more opportunities for growth, creating business with our customers around the world.

New Medium-Term Management Plan

Change-S2014

Nagase Group Business Model



Speed up

Accelerate the improving quality of our business and operations

Step up

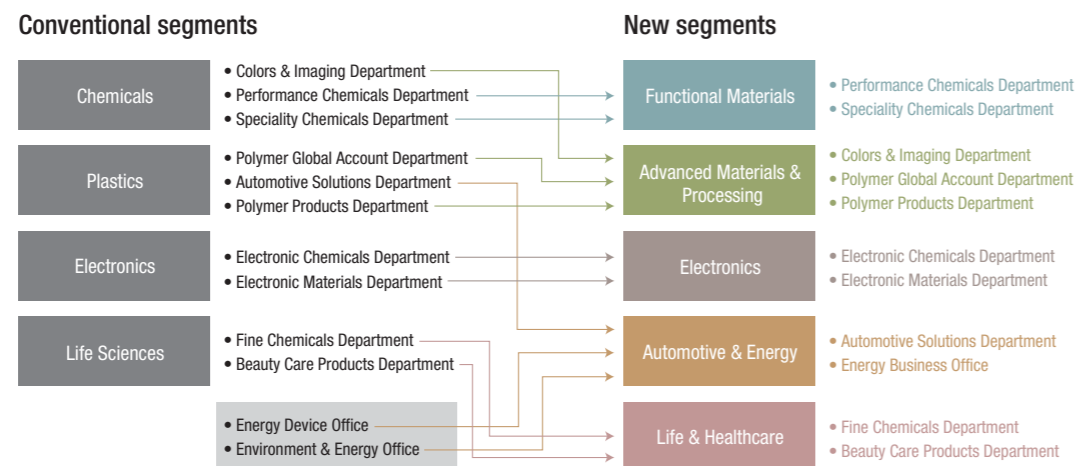
Bring the total strength of the Nagase Group to bear throughout the value chain in our strategic markets

Sustainable growth

Expand our unique solutions globally, creating sustained growth

The theme of **Change-S2014** is to ACCELERATE “**CHANGE**”, pursuing a basic strategy as outlined above to achieve growth based on a value-chain strategy, focused on markets using technologies from bio, environment and energy, and electronics.

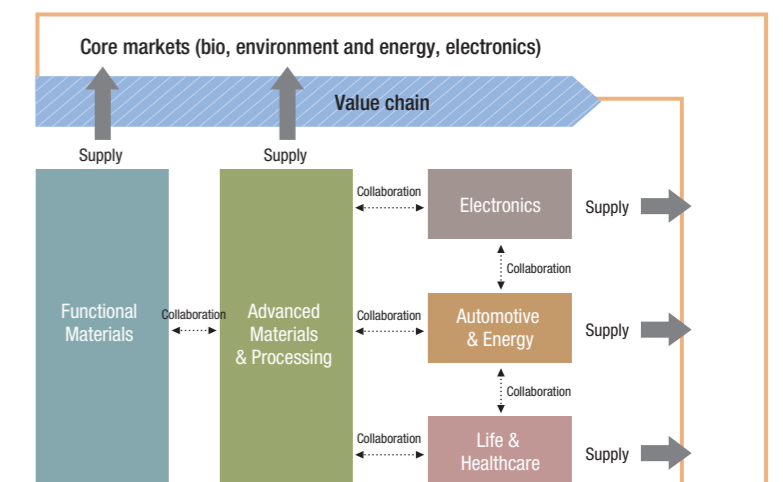
In executing this basic strategy, we have reorganized four of our business segments to reflect more fully the respective positions of each business in the value chain, as well as with the most closely aligned customer industries.



This realignment has resulted in five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (these last three segments functioning across all industries).

Each business segment is tasked with ACCELERATING “**CHANGE**”, following two key strategies: Globalization and the creation of high-added-value businesses. Nagase further looks to improve existing businesses and create new opportunities by taking advantage of the Group’s strengths in core fields related to bioscience, environment and energy, and electronics. This will be accomplished by combining the Group’s foundational technologies with the functions of each business segment.

Value Chain Strategy



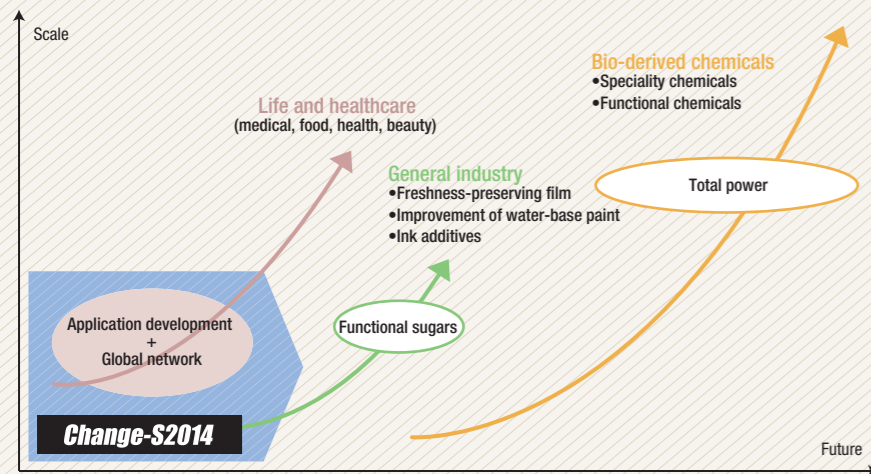
Stronger Business Capabilities in Core Markets

Change-S2014 identifies bio, environment and energy, and electronics as core Nagase markets. We will be creating stronger business capabilities, focusing on globalization and the creation of high-value-added businesses in these markets.

Bio Initiatives

Working from the Hayashibara business, we will create a quicker feedback loop from the market through the integration of the Nagase Group research and development and sales functions. Our goal is to create highly original bio-related products, expanding sales of the same throughout the world, which will lead to a stronger competitive position

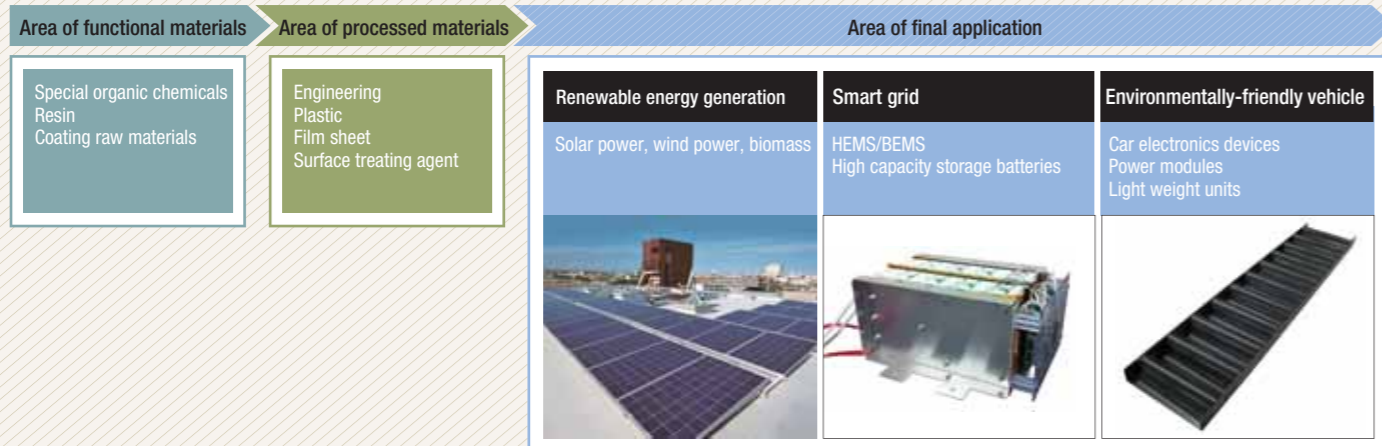
and higher growth in the medical, food, health and beauty markets within our Life & Healthcare segment. We will also pursue initiatives to expand bio-related technologies into general commercial applications, as well as look into the use of renewable resources over the long term.



Environment/Energy Initiatives

The Nagase Group is creating a new business model anticipating global technological innovations in green energy, bringing our entire force to bear in businesses focused on friendly manufacturing (using electricity generated from solar power, wind power, and other renewable sources), smart grids, and energy conservation systems, as well as next-genera-

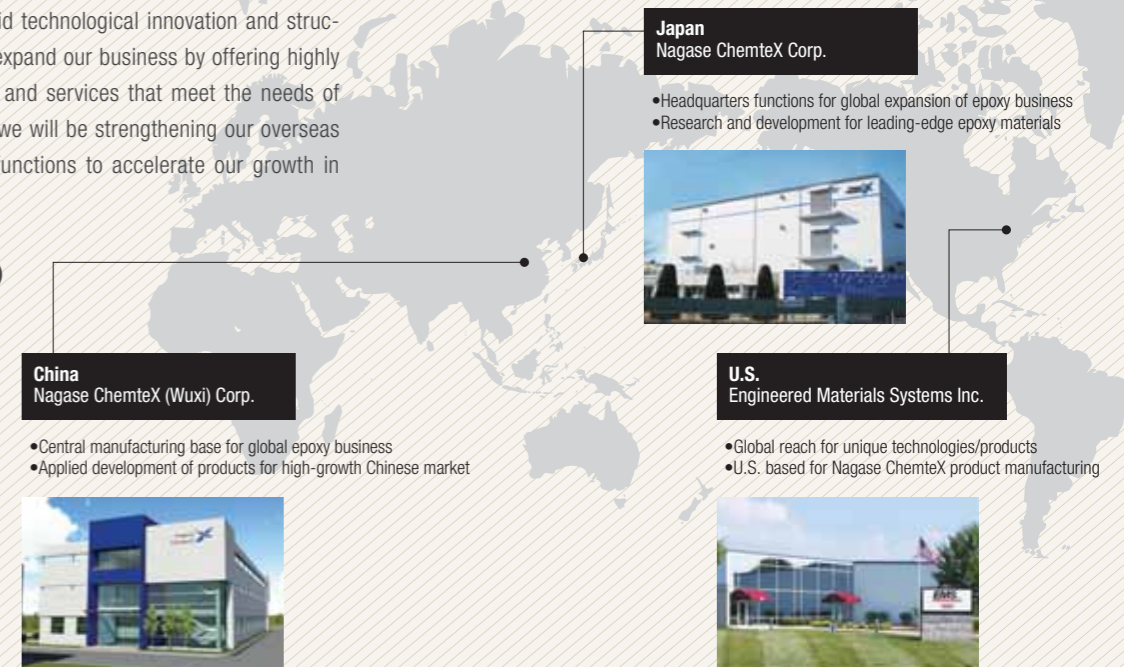
tion automobiles that make smart use of resources. We are also advancing research into reducing the environmental burden of business, such as chemical recycling and creating lighter components for automobiles.



Electronics Initiatives

The electronics field is one of rapid technological innovation and structural change. Here, our goal is to expand our business by offering highly innovative technologies, products, and services that meet the needs of our customers. At the same time, we will be strengthening our overseas manufacturing and development functions to accelerate our growth in the global market.

(Eg. Formulated epoxy business)



Stronger Management Foundation

Where the Japanese market has slowed compared to the growing markets in emerging countries, the Nagase Group has chosen to focus on expanding business in emerging and other international markets, establishing high-value-added businesses using our manufacturing and processing functions. Through investments in manufacturing, we have increased Group-wide manufacturing and processing bases in Japan and around the world, changing the fundamental shape of internal risk in the Group's manufacturing businesses. To respond to these internal and external changes, we are engaged in creating a stronger consolidated management structure, building more mature risk management policies, and developing higher-caliber human resources.

• Improved Consolidated Management Structure

With respect to strengthening the consolidated management structure, we continue to build a more efficient Group management structure, encourage personnel interchange within the Group, and improve our IT infrastructure. To ensure a sound financial foundation, we are working to balance liabilities and equity at prudent levels, while keeping an eye open for any changes in our credit rating. At the same time, we are improving our ability to forecast present and future operating cash flows to balance investment (risk assets) and operating cash flows properly. From a perspective of efficient asset utilization, we are replacing older assets with newer, more profitable assets.

• Stronger Risk Management

See page 42 Risk Management and Compliance

We are in the process of putting stronger systems into place for internal controls, risk management, and transaction risk control across the Group's companies.

• Human Resources

See page 49 Together with Our Employees

We are also in the process of establishing a stronger Group management foundation through hiring, training, and utilizing a talented workforce that can respond to the diverse demands of our businesses.

Global Network

Using technologies and information developed since our founding, the Nagase Group continues to grow its business globally in conformity with local laws and business customs.



• The Globally Expanding Nagase Network

See page 84 Consolidated Subsidiaries, Affiliates and Offices

The Nagase Group is engaged in activities around the world that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare segments. These products and services include dyes/pigments, coating materials/inks, surfactants, office automation (OA), electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical applications.

After 180 years in business, we have grown to become a global technology and information network with 56 companies in 19 overseas countries and 5,545 employees (consolidated) worldwide.

• Training Global Business Leaders

See page 51 The Next-Generation Leadership Program for Overseas National Staff

We count our employees and their understanding of advanced technical information as one of our strengths. By fostering a culture of training and through a mentoring system, we are creating the next generation of global business leaders.

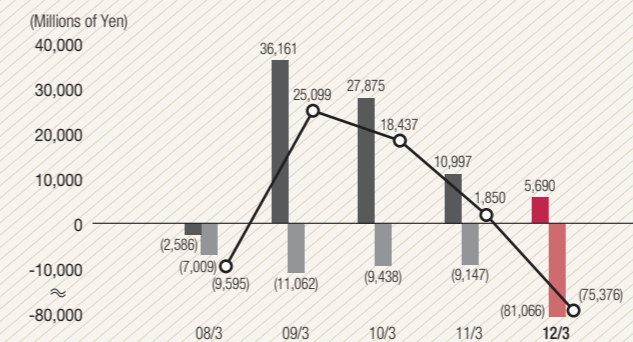
A Financial Foundation Supporting Business Growth

One of Nagase & Co., Ltd.'s greatest strengths is our financial stability.

This financial stability allows us to take advantage of investment opportunities to improve corporate value.

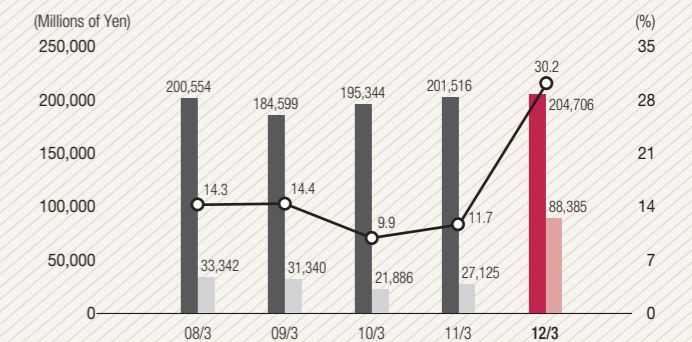
Cash Flows

■ Cash flows from operating activities ■ Cash flows from investing activities
 ○ Free cash flows



Shareholders' equity / Interest-bearing debt / D/(D+E) ratio*

■ Shareholders' equity ■ Interest-bearing debt ○ D/(D+E) ratio (right axis)



*Calculated using D/(D+E) ratio: Interest-bearing debt/(Interest-bearing debt+Shareholders' equity).

Rating		
Agency	Type	Rating
Rating and Investment Information, Inc.	Issuer credit rating	A

• Investing for Greater Corporate Value

Rather than investing for short-term financial gain, the Nagase Group has raised corporate value by improving business quality and by creating originality and competitive advantages through investments that strengthen production, R&D, technological and information capabilities and the global network, which are the group's strengths in our value chain (see page 1, Nagase Group Business Model). Under **Change-S2014**, our new three-year business plan, we are planning to invest ¥40.0 billion to achieve further growth.

When investing, we will always pay attention to results, i.e., improving cash flows of the businesses, enhancing systems in order to understand efficiency and effectiveness of investment, and raising corporate value. In order to maintain stable financial strength, we

have determined D/(D+E) = 33% (D:E = 1:2) as the maximum limit of debt to equity and will try to raise corporate value by maintaining or even improving our rating.

• D/(D+E) Ratio: Interest-bearing debt (D)/(Interest-bearing debt (D)+Shareholders' equity (E))

The Nagase group uses the D/(D+E) ratio as an indicator for understanding the balance of financial resources. Utilization of interest-bearing debt is necessary for effective investment, but maintaining a sound financial basis is indispensable for continuous development of our business. We therefore have determined D/(D+E) ratio = 33% (Interest-bearing debt: Shareholders' equity = 1:2) as the maximum limit of debt to equity.

12-Year Financial Highlights

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

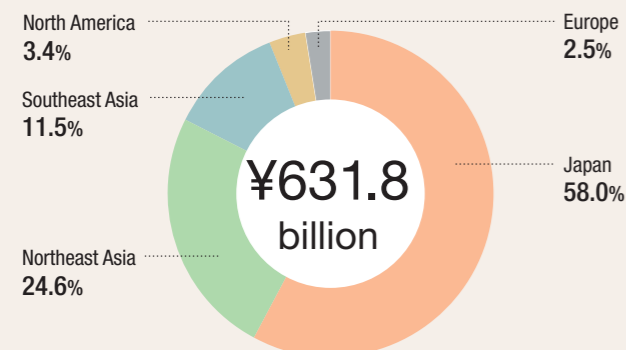
	(Millions of Yen)						(Millions of Yen)						(Thousands of U.S. dollars)
	2001/3	2002/3	2003/3	2004/3	2005/3	2006/3	2007/3	2008/3	2009/3	2010/3	2011/3	2012/3	2012/3
	WIT2000 (Reform)			WIT21 (Promotion)			WIT2008 (Reinforcement)			"CHANGE" II (Improving quality of our business and operations)			
	Investment Amount: ¥20.2 billion			Investment Amount: ¥23.7 billion			Investment Amount: ¥27.7 billion			Investment Amount: ¥107.4 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	¥ 631,854	\$ 7,687,732
Segments													
Chemicals	237,871	218,524	223,656	231,360	251,725	222,282	247,094	267,836	263,114	237,124	253,290	251,942	3,065,370
Plastics	205,460	175,252	165,810	170,996	188,456	229,278	244,681	274,660	255,859	192,569	222,100	219,209	2,667,106
Electronics	103,382	83,660	99,759	118,978	122,632	132,086	150,796	163,833	135,773	117,591	133,640	110,513	1,344,610
Life Sciences	—	—	—	—	—	56,404	53,556	56,489	58,905	55,542	50,247	49,170	598,250
Other	—	—	—	—	—	7,972	5,191	1,934	1,585	1,121	934	1,018	12,396
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	366,369	4,457,597
Overseas	166,817	149,481	166,157	183,744	211,928	259,553	290,532	331,942	320,364	243,567	270,833	265,485	3,230,135
Gross Profit	55,140	46,976	51,899	53,494	61,960	67,640	73,639	80,506	71,527	65,415	73,008	71,628	871,493
Operating Income	7,752	1,673	8,433	10,244	13,256	17,596	21,669	23,063	12,522	13,128	18,732	13,427	163,369
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	8,570	104,272
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	¥ 450,842	\$ 5,485,364
Equity Capital	153,498	144,176	140,944	156,210	167,092	196,620	205,083	200,554	184,599	195,344	201,516	204,706	2,490,648
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	88,385	1,075,380

	(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	¥ 66.69	\$ 0.81
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	1,592.87	19.38
Cash Dividends	8.0	8.0	8.0	9.0	10.0	15.0	18.0	17.0	16.0	16.0	22.0	24.0	0.29
Payout Ratio (%)	22.5	—	24.3	16.3	12.3	14.9	17.0	21.8	35.4	27.3	22.1	36.0	
Shareholders' Equity Dividend Rate (%)	0.77	0.72	0.71	0.77	0.79	1.06	1.15	1.08	1.07	1.08	1.42	1.52	

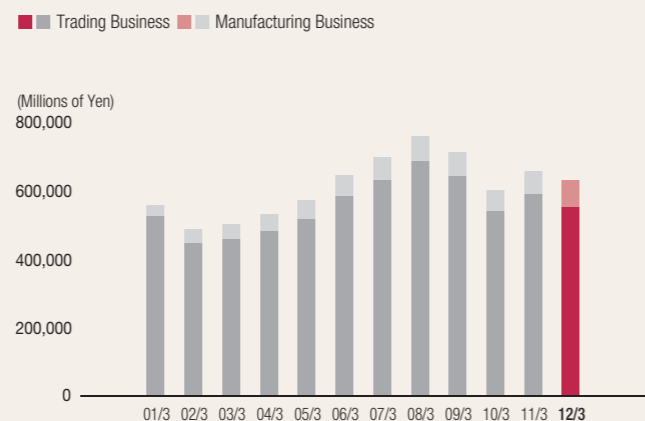
	(%)						(%)						
Ratios:													
Overseas Sales to Net Sales	29.8	30.5	33.0	34.5	36.8	40.1	41.4	43.4	44.8	40.3	41.0	42.0	
Manufacturing Ratio (Operating Income)	11.3	(9.6)	21.4	19.2	16.4	20.5	22.3	24.4	15.5	35.4	29.0	31.1	
Operating Margin (Operating Income/Net Sales)	1.4	0.3	1.7	1.9	2.3	2.7	3.1	3.0	1.8	2.2	2.8	2.1	
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	4.2	
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	45.4	
Debt 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	0.43	

(Note 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥82.19=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2012.
 (Note 2) Beginning with the fiscal year ended March 2012, the Company has moved its businesses handling materials related to precision abrasives, solar cells, and hard disks from the Electronics segment to the Chemicals segment. The Company believes this move will create greater synergies for the aforementioned businesses.

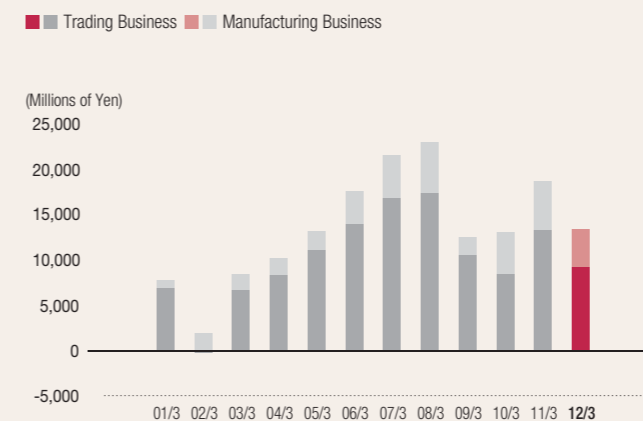
Composition Ratio of Net Sales by Region



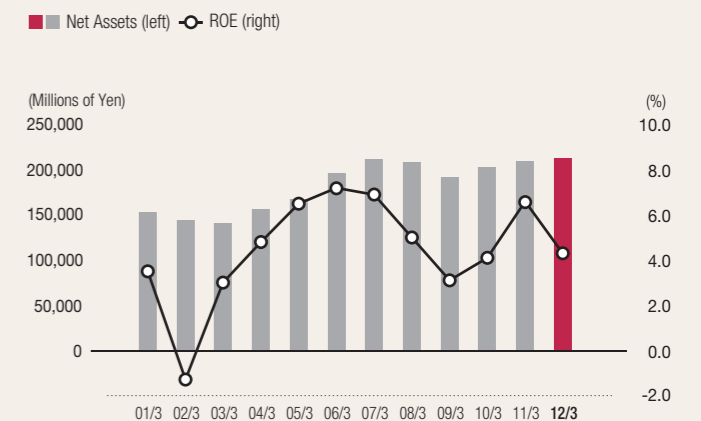
Net Sales



Operating Income



Net Assets/ROE



Based on our management philosophy,
we will accelerate **“CHANGE.”**

“good and fair business practices,”

This year, the Nagase Group celebrated its 180th anniversary. Starting as a humble dye wholesaler in Kyoto, we eventually became an almost exclusive importer and agent for a number of foreign companies, beginning with the synthetic dyes of Society of Chemical Industry in Basle, Switzerland (now BASF), and expanding to represent world leaders Union Carbide (now Dow Chemical), and GE Plastics (now SABIC).

In the 1980s, when the yen rose rapidly, Japanese companies started enhancing their overseas business sites as they entered other Asian markets. However, market conditions changed in Japan and Nagase gradually lost its competitive advantage.

In 2000, we decided to create a new business model by enhancing the production function as “a technology- and intelligence-oriented company that turns wisdom into business.” Having succeeded in creating a global business foundation and shifting more of our business to higher value-added manufacturing, we launched the ‘**“CHANGE”11**’ business plan that allowed us to significantly increase the quality of our services.

In the face of continuing—and even greater—changes today, the Nagase Group is working to embody its management philosophy of maintaining good and fair business practices. Under the new **Change-S2014** plan, we will keep up with daily changes and accelerate the pace at which we ourselves ‘**“CHANGE”**’ in order to reach a new stage.

July 2012

The Directors of Nagase & Co., Ltd.



1. Hiroshi Nagase, Representative Director, President and CEO 2. Makoto Tsuruoka, Representative Director and Senior Managing Executive Officer
3. Reiji Nagase, Representative Director and Senior Managing Executive Officer 4. Kazuo Nagashima, Director and Managing Executive Officer
5. Kenichi Matsuki, Director and Managing Executive Officer 6. Toshiro Yamaguchi, Director and Managing Executive Officer
7. Hiroshi Hanamoto, Director and Executive Officer 8. Osamu Morishita, Director and Executive Officer
9. Iwao Nakamura, Outside Director 10. Yasuo Nishiguchi, Outside Director

Greater intersegment cooperation to bring unique Nagase solutions to the world.



President
Hiroshi Nagase

Reflection on Fiscal 2011 Earnings

Looking back on the Nagase Group fiscal 2011 earnings, we recorded net sales of ¥631.85 billion (4.3% year-on-year decrease), with operating profit of ¥13.42 billion (28.3% decrease). Net income for the year was ¥8.57 billion (33.2% year-on-year decrease)*. By segment, we reported ¥251.94 billion in chemicals (6.8%

year-on-year decrease), ¥219.2 billion in plastics (1.3% decrease), ¥110.51 billion in electronics (5.3% decrease), and ¥49.17 billion in life sciences (2.1% decrease).

The financial crisis in Europe came just as Japan was beginning to recover from the effects of the March 11 earthquake and tsunami. Economic stagnation in Europe, combined with supply chain difficulties due to the floods in Thailand and the historic highs in the valuation of the yen, all combined to drive revenues and profits lower for fiscal 2011.

*Major new consolidated subsidiaries include CAPTEX Co., Ltd., Nagase Filters Co., Ltd., Fukui Yamada Chemical Co., Ltd., Sofix Corp., Hayashibara Co., Ltd. (one month), Engineered Materials Systems Inc. (three months). Major equity-method affiliates include ON Co-Labo Corporation. Beginning with the third quarter of fiscal 2011, Nagase Colors & Chemicals Co., Ltd. was moved from consolidation to equity-method affiliate due to the sale of Nagase Color & Chemicals shares owned by Nagase.

“ We experienced lower revenues and profits in the wake of unprecedented natural disasters and the disruption to the supply chain, continued international economic downturns, and historical highs in the valuation of the yen.

”

The electronics industry—particularly the LCD TV market—was hardest hit by these events. Tough cost competition internationally, as well as the end of government sponsored eco-point credits in Japan, made for lower domestic demand and production stagnation. We saw a marked downturn in production and business volume of LCD-related materials in our electronics segment. Likewise, our chemicals segment experienced lower sales of dyes and related products, while exports of molding tools in our plastics segment were poor. However, the markets for small- and mid-sized panels for smartphones and tablets and the LED devices have performed well, leading to a 3.3% year-on-year gain in operating profit for the electronics segment. There seems to have been a clear division between performance in large and small panel sizes over the past year.

Overall, we suffered from exposure to a revenue structure relying heavily on electronics-related business. The market for solar cells fell off, which resulted in higher cost competition due to oversupply in the market. The high valuation of the yen led to challenges among Japanese manufacturers in the semiconductor market, and even though the demand increased globally, our chemicals segment experienced lower volume in goods related to photovoltaic (PV) materials and abrasives.

Despite sluggishness in the first half of the fiscal year, the Japanese auto market experienced growth in demand, pushed during the second-half by the reintroduction of eco-car subsidies. In world markets, China, India, and Southeast Asia saw increased demand, the influence of which helped drive our chemicals and plastics segments higher for automobile-related materials.

Overall demand in the life sciences industry grew together with global population growth. Demand for enzymes was driven by applications in the food, beverage, and pharmaceuticals fields. The generic drug market also experienced growth. On the other hand, our life sciences segment saw

“

“**“CHANGE”II**” saw Nagase invest ¥107.4 billion, and reach new levels in gross profit percentage and manufacturing ratio. ”

lower sales related to pharmaceuticals (medical intermediates, etc.), food additives, and other daily commodities.

The Final Year of “CHANGE”II

Since April 2009, Nagase has been executing a three-year business plan that stressed strategies to improve business and operations. Called “CHANGE”II, this plan called for us to implement important strategies and make opportunistic investments in target business fields. Net sales for the fiscal year (the final year of “CHANGE”II) amounted to ¥631.8 billion (versus a ¥720.0 billion target), with operating profit of ¥13.4 billion (versus a ¥15.0 billion target). While we missed our target, we invested a total of ¥107.4 billion over three years (versus a ¥30.0 billion target), including our investments in Hayashibara Co., Ltd., expanding our manufacturing capacity and extending into new businesses. Having created stronger bases of operations overseas, we were able to increase our gross profit ratio from 10.0% in fiscal 2008 to 11.3%, reflecting a Group-wide commitment to cost restructuring and a new spirit of cooperation that led to a more robust business and management foundation.

One example of this is in our plastics segment. Here, we had only been selling resin (pellets) from domestic and international manufacturers to clients in the auto and office automation (OA) industries. Today, however, we have established better coordination between business divisions and Group companies. This model has created a more cooperative framework that allows us to offer total solutions in electronics components and coatings. We have seen the same kinds of progress in other segments, despite the fact that the results did not show up in

our figures due to the tremendously challenging business environment we faced during the year.

Core Initiatives for “CHANGE”II

Three of the important initiatives stemming from “CHANGE”II were to (1) make Hayashibara Co., Ltd. a Nagase subsidiary, (2) integrate our textiles business with OG Co., Ltd., and (3) complete the new CAPTEX Co., Ltd. factory.

Hayashibara was the first company in the world to create the functional sugar trehalose from starch in mass-produced quantities, at nearly 1/100th the cost of traditional methods. We believe that we can expect to develop syner-

gies in terms of research, development, and manufacturing in important bio and life sciences businesses to a scale matching the current Nagase Group chemicals, electronics, and plastics businesses. As such, Nagase acquired all outstanding shares of Hayashibara for the equivalent of ¥70.0 billion.

Nagase’s original business was in dyestuffs and textile processing. Here, Nagase has been pivotal in creating Nagase-OG Colors & Chemicals Co., Ltd., a joint venture between the number one and number two companies in the industry, designed to expand the markets in Japan, China, Asia, and the rest of the world.

CAPTEX is a company involved principally in the development, manufacturing, and sales of control modules for lithium ion batteries. Having completed construction for a plant in Okazaki, Aichi, Japan, the company plans to ride mass production gains to ¥1.5 billion in net sales for fiscal 2013.

Transitioning from “CHANGE”II to Change-S2014

Under “CHANGE”II, Nagase emphasized the need for internal reform, reaching a number of accomplishments in six key areas under the banner of improving business and operations. Specifically, these initiatives included: (1) increase opportunities for cooperative business ventures among divisions to offer total solutions to clients; (2) eliminate businesses that do not match corporate strategies (e.g. light guide panel manufacturing), (3) establish an organization to promote growth in target business fields (Environment & Energy Office, Energy Device Office, Bio Solutions Team), (4) expand investment in new businesses, mainly manufacturing (Nagase ChemteX, CAPTEX, Hayashibara), (5) strengthen business infrastructure overseas (Greater China management company, China interior, Mexican bases), (6) transfer headquarters functions to Asia (Polymer Global Account Department), (7) improve our IT infrastructure (core domestic and international systems), and (8) build a stronger response to manufacturing-related risks (quality assurance support team, etc.). While our progress in these areas are difficult to tie to quantifiable numbers, we are satisfied with what we have achieved to date. However, we have not created change with the speed we had originally planned. Our work is only half done in this respect. The following are topics (issues) in which we believe we must increase the pace of change moving into our **Change-S2014** plan.

“ The main strategies under **Change-S2014** are to reconfigure our segments to reflect their place in the value chain and to focus on bio as a core business field. ”



- Speed up the pace of reform
- Pursue growth and higher added value in target businesses
- Create more business based on cooperative ventures
- Create a stronger management matrix at the intersection of business and geographical location
- Develop more expertise and resources to respond to a diversifying range of business models

Major Points Addressed Under Change-S2014

The theme of **Change-S2014** is to ACCELERATE CHANGE, pursuing a basic strategy to accelerate the improving quality of our business and management operations (Speed up), to bring the total strength of the Nagase Group to bear throughout the value chain in our strategic markets (Step up), and to expand our unique solutions globally, creating sustained growth (Sustainable growth). The main strategies under this are to reorganize our business segments and focus on the bio business field. To date, our business segments were defined when our business was driven mainly by our master distributor license model. The WIT and “CHANGE”II, plans were designed to take us out of old business models, while the goal of the new three-year plan is to create a stronger identification of our functions by reorganizing our segments (see page 2). We have clearly defined the functions of the new segments

“CHANGE”II Highlights (Fiscal 2011)

1	Select and concentrate businesses	<ul style="list-style-type: none"> • Acquisition of Hayashibara Co., Ltd. (see page 34) Nagase expects significant synergies with this company, which was the first in the world to mass-produce the functional sugar trehalose from starch; expects sales in important bio and life sciences businesses to grow to a scale matching the current Nagase Group chemicals, electronics, and plastics businesses; acquired all outstanding shares of Hayashibara for the equivalent of ¥70.0 billion. • Integration of Textile Business with OG Co., Ltd. Established Nagase-OG Colors & Chemicals Co., Ltd., a joint venture between the number one and number two companies in the industry, designed to expand the dyestuff and textile markets (Nagase’s original business) in Japan, China, Asia, and the rest of the world.
2	Build businesses around environment- and energy-related technologies	<ul style="list-style-type: none"> • Completed construction of new CAPTEX Co., Ltd. factory Lithium ion battery control module developer/manufacturer/seller CAPTEX to mass produce modules from newly completed factory in Okazaki, Aichi, Japan. • Initiative to commercialize process for rare metals recovery An Osaka Prefecture University Graduate School of Engineering research group led by Professor Yasuhiro Konishi, together with Morishita Jintan Co., Ltd. and Nagase ChemteX Corp. are researching practical applications for eco-friendly, high-efficiency recovery of rare metals via microbes.
3	Strengthen R&D and manufacturing functions	<ul style="list-style-type: none"> • Coating laboratory in India Working with Japanese materials manufacturers and local materials, Nagase has proposed new formulations that match local conditions. This will allow Nagase to improve service to paint and raw materials manufacturers likely to expand in the Indian market, as well as contribute to the growth of the Indian paint market as a whole. • Start of construction on Nagase ChemteX Corp. production facility (see page 32) • Decision to expand Nagase Medicals Co., Ltd. factory Nagase has decided to expand the production center for oncology injection drugs at Nagase Medicals Co., Ltd. to provide a stronger manufacturing base for anti-cancer drugs. The new facility will adopt the latest manufacturing systems to minimize the risk of cross-contamination: (1) maximum containment, (2) compliant lines for Japan, U.S., and Europe, (3) manufacture of a wide variety of investigational agents, commercial products, and anti-cancer vial drugs for overseas markets in short-run batches. • Conversion of Engineered Materials Systems Inc. to a subsidiary Engineered Material Systems is based in North America and manufactures adhesives, sealants, insulating materials and other high-value-added formulated epoxy resins. Nagase expects that technological integration with Nagase ChemteX Corp. will result in high-value-added products in North America, accelerating global expansion in the electronics field.
4	Promote globalization	<ul style="list-style-type: none"> • Nagase Singapore (Pte) Ltd. opens branch in Australia Toward further expansion in Asia/Oceania, this new branch is expected to grow the Oceania markets for Nagase’s leading chemicals, plastics, and electronics products, in addition to its existing life sciences business. • Nagase Singapore (Pte) Ltd. opens local office in Bangladesh In recent years, Bangladesh has seen a marked development in its textile and clothing industries. As this market is expected to grow further, the Nagase Group will increase marketing activities for dyestuffs, chemicals, and plastics related to its functional materials and processing materials segments.
5	Strengthen risk management	<ul style="list-style-type: none"> • Establishment of Nagase Business Management and Planning (Shanghai) Co., Ltd. in Shanghai Nagase has set up a management company to allow for rapid decision-making and better operations in this promising market. This new structure integrates headquarters functions and a local management model. We also expect to see stronger governance and better Group-wide operations.
6	Promote employee diversity and work-life balance	<ul style="list-style-type: none"> • Continued implementation at the work-site level in each division, guided by the Diversity Promotion Committee (see page 49)

in terms of their places in the value chain. As we bring our forces to bear on each of the aforementioned topics (issues) through solutions that combine different functions, we will be able to create stronger businesses and new business opportunities.

As mentioned earlier in connection with performance during the past fiscal year, our business structure relies heavily on the electronics and auto industries, both of which are sensitive to changes in the economic environment. By adding Hayashibara to our portfolio, we have an opportunity to extend further into the bio and environment/energy industries, creating a more stable operating foundation for our business.

Target Performance Indicators

The **Change-S2014** plan will run through fiscal 2014, ending March 2015. Our numerical targets for the final year of the plan call for consolidated net sales of ¥800.0 billion, consolidated operating profit of ¥30.0 billion, and a return on equity of eight percent. We also plan for a three-year total of ¥40.0 billion in investments designed to change the quality and size of our businesses in targeted fields.

Change-S2014 Numerical Targets

Consolidated Net Sales	¥800.0 billion
Consolidated Operating Profit	¥30.0 billion
ROE	8.0%
Three-Year Investment	¥40.0 billion

Hayashibara to Play a Central Role in the Nagase Bio Business

As fossil resources dwindle, bio has become a field gaining worldwide attention. Already, bio

technologies are being used in the pharma, agriculture, and food fields, but they will become more pronounced in the future in industrial applications including (1) bio feedstock (replacing oil and gas with biomass), (2) bio processing (replacing chemical synthesis with fermentation and biocatalytic processes), and (3) bio products (new functional products: bio polymers, enzymes, health food materials). The Nagase Group intends to be a strong presence in not only the life & healthcare segment, but in all manner of bio applications in which we can bring our entire Group resources to bear.

We believe that we will find new synergies as we promote information sharing between Hayashibara and the Nagase R&D Center, leading to more efficient research and development. In April 2012 we established the Hayashibara Integration Committee, which has been charged with finding ways to create synergies and fully integrate Hayashibara with Nagase.

With respect to existing businesses, we will organize an enzyme and sugars team specializing in Nagase ChemteX's enzyme business and Hayashibara's functional sugars business. Moreover, we are working to optimize production and make capital investment more efficient for Nagase ChemteX's enzyme and specialized drug businesses, and to expand sales of Nagase ChemteX products through utilization of the Nagase overseas sales network and of the application development function of Hayashibara L Plaza (Lab) and other facilities.

Given the policies outlined above, we believe that Hayashibara will create long-term, stable cash flows for the Nagase Group. We intend to continue to acquire businesses that are highly complementary with our own, as well as use the force of our entire Group to build a stronger overseas sales network to create even healthier cash flows from operations.

Hayashibara Reorganization

We integrated the research and development, manufacturing, and sales functions at Hayashibara Co., Ltd., Hayashibara Shoji, Inc., and Hayashibara Biochemical Laboratories, Inc. under the umbrella of the newly organized Hayashibara Co., Ltd. Under the new structure, we have established (1) functional sugars business for enzyme conversion technology, (2) functional dyes business for organic synthesis, and (3) Management Headquarters to control the entire company. For the Functional Sugars Department, we established three centers, Sugar, Production and R&D. At Management Headquarters, an audit division was established to conduct internal controls. We also established a Compliance Committee in February 2012. The new company is also engaged in acquiring ISO and other international standards certifications.

Corporate Governance

We recognize that building a stronger corporate governance function is an important management issue. As such, we have been active in locating and selecting outside directors who are experienced and knowledgeable in the petrochemical and manufacturing industries (see page 39.)

With respect to the Nagase investment in Hayashibara, we accepted and implemented advice to establish a team consisting of outside directors to provide objective, conservative opinions throughout the decision-making process. Thanks to this approach, we were able to conduct thorough discussions of all matters, ultimately reaching a decision to our satisfaction. Our corporate auditors also express their favorable opinion concerning transparency during this process.

* Mr. Haruyuki Niimi, Nagase outside director, passed away on December 8, 2011. We wish to express our sincerest appreciation for his service.

Dividends

Our basic policy concerning dividends is to continue to make stable payments to our shareholders based on consolidated achievements, reflecting improving earnings capacity and cor-

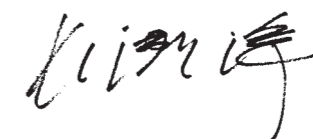
Category	Organization Name	Details
Functional sugars business	<ul style="list-style-type: none"> Sales & Marketing Center Production Center R&D Center 	Responsibility for research and development, manufacturing, and sales of trehalose, AA2G and other functions sugars.
Functional dyes business	<ul style="list-style-type: none"> Functional Dyes Department 	Collect research and development, manufacturing, and sales under one division. Manufacture of photosensitive dyes for such as silver halide film, and drug formulation operations for type 3 drug, Lumin A.
Management	<ul style="list-style-type: none"> Management Headquarters 	Establish corporate rules, control manufacturing costs and administrative accounting, improve IT infrastructure, respond to compliance issues, etc. Improve consolidated financial close and internal controls as required of a wholly owned Nagase & Co. subsidiary.

porate infrastructural integrity. Given this policy, we have committed to an end-of-year per-share dividend of ¥12 (full-year dividend of ¥24 per share, including a ¥12 per share interim dividend). This decision was based on considerations of consolidated payout ratio, consolidated debt-to-equity ratio, and a corporate goal to pay increasing dividends.

We will strive to make further earnings gains in the future, improving our debt-to-equity ratio, and allowing us to increase our dividends per share payment. And, based on our management philosophy to maintain good and fair business practices, we will speed up the pace of our internal change, step up to improve the nature of the changes we make, and generate sustainable growth by creating high-value-added businesses and a global business foundation. This is how we will add to the contribution that the Nagase Group makes to society.

July 2012

Hiroshi Nagase
President




“ Hayashibara is leading our charge into bio, which we believe will create long-term, stable cash flows for Nagase. ”

Nagase Group Businesses

Reportable Segments	Department	Main Products and Services	Customer Industry	Description of Businesses and Departments	Major Manufacturers
Functional Materials Segment <small>Net sales</small> ¥177.1 billion <small>Operating profit</small> ¥6.2 billion	>>Performance Chemicals Department	Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, plastic additives, flame retardants, polymer filters	Paint/ink, resin, synthetic fiber, urethane foam and film industries	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.	<ul style="list-style-type: none"> • Nagase Filters Co., Ltd. • Toyo Quality One Ningbo Co., Ltd. • Guangzhou Kurabo Chemicals Co., Ltd. • Toyo Quality One (Guangzhou) Co., Ltd. • P.T. Toyo Quality One Indonesia • TIMLE S.A. DE C.V. • TQ-1 de MEXICO S.A DE C.V
	>>Speciality Chemicals Department	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, microorganism pharmaceuticals, nanomaterials	Organic synthesis, surfactant, semiconductor, solar battery industries and HDD-related industries	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 numerous areas, supplying raw and processed materials for the electronics industry, which encompasses the semiconductor and visual display fields.	<ul style="list-style-type: none"> • Nagase ChemteX Corp.
Advanced Materials & Processing Segment <small>Net sales</small> ¥217.9 billion <small>Operating profit</small> ¥2.9 billion	>>Colors & Imaging Department	Dyes/additives, functional color pigments, functional dyes, digital print processing materials, organic transparent conductive materials, dyestuffs, fiber processing agents	Dye/pigment, functional film, thermal toner, printing and printing materials, fiber processing industries	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, toward building a network in each of its business areas backed by proprietary proposals that leverage the capabilities of the Nagase Application Workshop (NAW).	<ul style="list-style-type: none"> • Hayashibara Co., Ltd. • Sofix Corp. • Fukui Yamada Chemical Co., Ltd.
	>>Polymer Global Account Department	Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings	Office automation (OA) equipment, electronics and consumer electronics industries	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.	<ul style="list-style-type: none"> • Setsunan Kasei Co., Ltd. • Dainichi Color Vietnam Co., Ltd.
	>>Polymer Products Department	Eastman Chemical's copolyester resins, functional sheets and films, sheet and film surface detection machines, plastic molding products	Electric and electronics industries, cosmetics and toiletries industries, functional sheets and films industry	The Polymer Products Department is specialized in the development and marketing of unique products, anchored mainly by Eastman Chemical's copolyester resins, functional films and sheets, and plastic molding products. With the aim of integrating its trading and manufacturing activities, the department has established a processing and R&D base in the Shanghai region of China. The department is aiming at establishing a unique organization to functionalize film sheets, for example, sheet development using Eastman Chemical's raw materials, sheet forming, surface treatment and secondary processing.	<ul style="list-style-type: none"> • Totaku Industries, Inc. • Setsunan Kasei Co., Ltd. • Kotobuki Kasei Corp. • Sun Delta Corporation • Nagase Precision Plastics Shanghai Co., Ltd.
Electronics Segment <small>Net sales</small> ¥110.4 billion <small>Operating profit</small> ¥6.0 billion	>>Electronic Chemicals Department	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	Liquid crystal industry, semiconductor industry, electronic components industry, heavy electric machinery industry, automotive industry, solar battery industry	The Electronic Chemicals Department, which comprises eight manufacturing companies in Japan and overseas, manufactures and sells formulated 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 battery industries. With overseas production sites 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.	<ul style="list-style-type: none"> • Nagase ChemteX Corp. • Nagase ChemteX (Wuxi) Corp. • Engineered Materials Systems Inc. • Nagase Techno-Engineering Co., Ltd. • Pac Tech-Packaging Technologies GmbH • Nagase FineChem Singapore (Pte) Ltd.
	>>Electronic Materials Department	Optical films for liquid crystal displays (LCDs), surface treatment materials for smartphones and tablet PC cases, materials for touch panels, glass processing, optical adhesive agents for back lights, optical films and optical film processing, electronic paper-related materials, organic light-emitting materials, LED chip-related materials and their assembly and mounting	Smartphone and tablet PC industries, display industry, touch panel industry, TV industry, LED industry	The Electronic Materials Department leverages its domestic and overseas network to handle sales of display device peripheral components as well as LED related materials, which are expected to see significant growth, for PC manufacturers and suppliers both of which are planning to expand smartphone and tablet business globally. The department proactively conducts trading as well as the manufacture and processing of glass and films and LED assembly.	<ul style="list-style-type: none"> • Nagase International Electronics Ltd. • Nagase Electronics Technology Co., Ltd. • Nagase Electronics Technology (Xiamen) Co., Ltd. • Nagase Precision Plastics Shanghai Co., Ltd.
Automotive & Energy Segment <small>Net sales</small> ¥76.1 billion <small>Operating profit</small> ¥0.9 billion	>>Automotive Solutions Department	Functional resins, general-purpose resins, automotive interior and exterior components and functional components, lightweight materials and components, electronics components, auxiliaries, plastic-related equipment, devices and moldings	Automakers, automotive parts manufacturers	In order to meet customer needs, the Automotive Solutions Department has constructed a uniform service structure in Japan and overseas capable of handling everything from sales of automotive-related raw materials, products and equipment to component production at Nagase's affiliates and joint venture companies. In addition to further global development focusing on emerging countries, which have rapidly expanded recently, the department will concentrate on expanding new businesses related to eco-friendly vehicles through development of new materials, components and technologies related to eco-friendly vehicles, such as hybrid and electric automobiles.	<ul style="list-style-type: none"> • CAPTEX Co., Ltd. • Sanko Gosei Technology (Thailand) Ltd. • Automotive Mold Technology Co., Ltd. • KN Plotech America Corporation
	>>Energy Business Office	Raw materials for lithium ion batteries, lithium ion battery module systems, photovoltaic panels, hot blast heaters for greenhouses	Storage battery industry, electric equipment industry, photovoltaic industry, agricultural materials industry, automotive industry	The Energy Business Office was launched by integrating the Environment & Energy Office and the Energy Device Office. The office is primarily focusing on green energy business, which is mainly related to photovoltaic power generation and hot-blast heaters for greenhouses, storage battery material sales, and storage battery system sales for storage battery systems manufactured by CAPTEX Co., Ltd.	<ul style="list-style-type: none"> • CAPTEX Co., Ltd. • Nagase Techno-Engineering Co., Ltd.
Life & Healthcare Segment <small>Net sales</small> ¥49.1 billion <small>Operating profit</small> ¥0.1 billion	>>Fine Chemicals Department	Pharmaceutical [active pharmaceutical ingredients (APIs), clinical trial APIs, intermediates, raw materials, formulations, additives], invitro diagnostics, 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, additives for cosmetics, nutritional supplements, feed and feed additives.	Pharmaceutical and medical industries, diagnostic drug industry, household industry, food industry, agricultural chemicals industry	In the biotechnology area, one of Nagase's important strategies, the Fine Chemicals Department provides a broad range of life-related products and services such as pharmaceuticals, medical, diagnostic drugs, foods, biotechnology solutions and agricultural chemicals. Particular efforts are devoted to developing high-value-added products that leverage the Group's comprehensive strengths in trading, R&D and manufacturing.	<ul style="list-style-type: none"> • Nagase ChemteX Corp. • Hayashibara Co., Ltd. • Nagase Medicals Co., Ltd. • Kawai Hiryo Corporation • ZCL Chemicals Ltd.
	>>Beauty Care Products Department	Cosmetics (including skin care counselling and facial care services), health foods	General consumers	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 50,000 personnel who offer advanced counseling and facial care services.	<ul style="list-style-type: none"> • Nagase Medicals Co., Ltd. • Toyo Beauty Supply Corp.

Functional Materials Segment

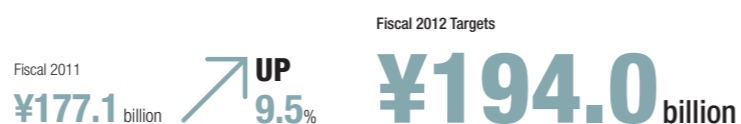


Director and Managing Executive Officer
Toshiro Yamaguchi

Functional Materials

“As Nagase’s parent division, we have accepted the challenge of creating new value to respond to the needs of the times, contributing to the value chain in order to offer complete peace of mind to all our customers.”

Segment Net Sales



Business Overview

Our operating words in the Functional Materials Segment are safe, stable, and unique. Developing materials and applications in this business meeting these standards is our primary focus. We offer high-function materials based on fossil business to industries and Group segments across the bio, environment/energy, and electronics fields.

Strengths

- A business model working closely with customers, offering high levels of satisfaction, tremendous sales capabilities, and the ability to collect and share technological information globally among customers and manufacturers
- Nagase ChemteX Corp., a Nagase manufacturing subsidiary
- Global procurement capacity
- A foundation and strong presence in the chemicals industry
- Enhanced management systems for chemicals-related regulations and security trade

Primary Businesses

- 1 Strategic customer business
- 2 Overseas business
- 3 Nagase ChemteX business
- 4 Filter business
- 5 Environmentally-friendly business
- 6 Inorganic materials business

Performance Chemicals Department



Executive Officer;
GM, Performance Chemicals Department
Kohei Sato

ther cement our position in emerging markets. In our filter business as well, we are moving forward with building cleaning bases both in South Korea and Taiwan. In the meantime, we have seen the structural changes occurring in the petrochemical industry. In response, we have integrated the existing technological functions inside the Group (both domestic and international) in pursuit of bio-based chemicals development as our answer to the environmental technology issues of the future.

Despite progress on all fronts, our fiscal 2011 results were level with the prior fiscal year in both sales and profits. This result was mainly due to the impact of the March 11 disaster in Japan, the flooding in Thailand, and the ongoing financial crisis in Europe.

Change-S2014 and Fiscal 2012 Strategies

Fiscal 2012 will be the first year operating under our **Change-S2014** business plan. It will be a year in which we go back to the basics, building greater strength in our foundations supporting our customers. We will also be engaged in investment and other dynamic means to expand our overseas business, develop our bio-related business, and improve our filter business. In addition, we will continue to find cooperative opportunities within our Group to structure an end-to-end value chain, from raw materials to finished products. This will provide Nagase with an even more superior presence in the markets that we serve. By fully understanding and properly responding to the needs of our customers, we will show that we can create more businesses that lead to the betterment of society as a whole.

Fiscal 2011 Strategies and Results

Fiscal 2011 was another year of improving our overseas business, building a stronger manufacturing function, and creating a more robust development function. In our coating business, we established a contract production company—led by our Global Coating Team—in China to produce resins for coating materials, a move designed to expand our business overseas. In India, we established a coating laboratory that will allow us to offer high-value-added services on a customer-by-customer basis. In our urethane business, we set up manufacturing centers in China, Indonesia, and Mexico as we look to fur-

TOPICS

Building a Series of New Production Centers for Automobile-Related Products in Mexico

Mexico is likely to continue to rapidly grow as a market for automobile production. Here, we have built a production center for urethane products used in car interiors. We also have plans to build a production center for urethane products used in car seats, scheduled to begin operations in late 2012.



Speciality Chemicals Department



Executive Officer;
GM, Speciality Chemicals Department
Mitsuro Naba

Fiscal 2011 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 areas, we have set in place stronger analytical functions at our Shanghai Techno Center labs and are enjoying quite favorable feedback from customers.

Despite gains in fluorochemicals, lithium ion battery raw materials, and other new businesses, downturns in electronics raw materials for LCDs and other applications, as well as the strong yen and the flooding in Thailand combined to drive revenues and profits lower for this business as a whole.

TOPICS

We established a joint-venture business in China for the production of positive electrode materials for lithium ion batteries, a promising business field in the future. This venture is scheduled to begin mass production during the first quarter of the next fiscal period.

Change-S2014 and Fiscal 2012 Strategies

Our guiding vision in this business under the **Change-S2014** plan is to build an even stronger transaction foundation, creating new value to respond to the needs of the times, and contributing to the Group value chain. Of the five Nagase business segments, Functional Materials occupies the most upstream position in the value chain. We will create an even more valuable business by collecting and assimilating information related to organic/inorganic technologies and materials—particularly new and functional materials—from a wide range of sources. By sharing this information throughout the Nagase Group, we will contribute to creating new business opportunities that meet technological needs downstream.

Our job moving forward is to make the most of the deep relationships we have established with valued business partners and research institutions, combining white bio and other environmentally-friendly business models in green sustainable chemistry and industrial/environmental fields with our expertise in organic chemistry, and lead-edge technologies in nano particles. In doing so, we believe we will be able to create a leading inorganic materials business.



Director and Executive Officer
Hiroshi Hanamoto

Advanced Materials & Processing

“Our mission is to contribute to overall Nagase Group profits, creating new business models not capable of imitation by other manufacturers or trading companies. We seek to offer proposals to develop unique, Nagase-style approaches and applications, tying these solutions to stronger relationships with leading customers and brand owners.”

» Segment Net Sales



Strengths
<ul style="list-style-type: none"> Offer the strength of the Nagase Group, coordinating with customers on everything from raw materials insights to application development Major overseas business partners: SABIC IP, BASF, Eastman Chemical Application development functions: NAW (Nagase Application Workshop), Shanghai Techno Center, Color Lab

Primary Businesses
1 Propose materials and application solutions to the business equipment industry
2 Expand business via strategy coordination with core suppliers
3 Expand overseas business
4 Strengthen joint-application development activities with affiliates
5 Functional films and sheets business

Business Overview The Advanced Materials & Processing Segment is positioned along the next step in the value chain of added-value creation. The goal of this segment is to propose added function, design, and functionality solutions to the Nagase Group as a whole through dispersion, filmification, molding, and other processing technologies.

» Colors & Imaging Department



Director and Executive Officer;
GM, Colors & Imaging Department, Advanced Materials & Processing Segment, Nagase Application Workshop
Hiroshi Hanamoto

Fiscal 2011 Strategies and Results

We pursued the following three objectives under “**CHANGE”II**”: 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. We experienced considerable interruptions in new developments due to the number of serious supply chain interruptions that occurred in the wake of the natural disasters during fiscal 2011. Even so, we carried on, adding value in quality management, taking on manufacturing of color former for specialty dyes for use in thermal paper, preparing for the launch of a digital printing system for textiles under a Nagase technology initiative, and pushing the transfer of the IM-MOLD transfer printing film business.

TOPICS

“Color Former” Specialty Dye for Thermal Paper: Number One Share in the World

Our Color Former product is the number one dye in the world for thermal paper used in receipts at convenience stores, taxis, and numerous other applications.



However, the sluggish performance of Japan’s digital display industry, as well as the poor condition of office equipment markets had a significant impact on our business. Despite progress in line with our strategy, we experienced lower revenues and profits in the segment in Japan. Overseas, the impact of the strong valuation of the yen and weakness in digital printing materials led to similarly lower revenues and profits.

Change-S2014 and Fiscal 2012 Strategies

Since this department deals principally in functional raw materials for domestic and mature industries, we plan to build on initiatives from our prior business plan “**CHANGE”II**” to create new business and work more closely with our existing customer base, leading to stronger technical sales capabilities.

To create new business we intend to expand our product range, as well as conceive products that are recognized by global markets as new and innovative—products that could result in new companies. To strengthen our technical sales capabilities, we will make even better use of Nagase Application Workshop, establishing stronger technical product capacity, information collection capabilities, and customer relationships to create deeper relationships of trust with our business partners.

At the same time, we believe we can expand in promising overseas markets, leveraging China—expected to seriously participate in the chemical products market in the future—as one means to become a recognized main player in the world’s chemical industry. Our plans call for bringing about stronger quality assurance management and manufacturing functions through means that include potential mergers and acquisitions.

» Polymer Global Account Department



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

Fiscal 2011 Strategies and Results

During fiscal 2011, we conducted activities of increased globalization and appropriate integration of sales and development/manufacturing functions.

To promote globalization, we have transferred certain division functions overseas, structuring a tripolar business operations model among Japan, greater China, and ASEAN, improving our system of customer support in China with the establishment of a NWP International Trading (Shenzhen) Co. Ltd. Xiamen branch office.

We seek to more appropriately integrate sales functions with development and manufacturing functions. In addition to a global sales support function, we are better able to offer unique product and technological solutions by using our network, strengthening our new business creation activities. To strengthen coordination between Nagase Plastics Co., Ltd., which has taken over domestic sales functions, and Setsunan Kasei Co., Ltd., which is responsible for manufacturing functions, we created a structure that allows us to now utilize a unified manufacturing and sales system.

Despite these organizational improvements, our fiscal 2011 results showed lower

revenues and lower profits, mainly due to the March 11 disaster, flooding in Thailand, and slower growth in China.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, our strategies call for activities and tactics that offer solutions utilizing manufacturing and research and development, a movement away from Japanese-affiliated business toward a more global approach, and a more focused marketing strategy.

During fiscal 2012, our user strategy will call for cultivating more non-Japanese clients, while our regional strategy calls for strengthening our Chinese inland operating bases. We will invest management resources in emerging countries such as Vietnam, Indonesia, the Philippines, and other ASEAN regions, while we develop and sell unique technologies and products that utilize the expertise and skills of Setsunan Kasei Co., Ltd. (responsible for integrated manufacturing and sales), the functions of Nagase Application Workshop, and contributions from other divisions. With respect to application and elemental technologies development, we will also put efforts into activities in growth fields such as office automation, hand held devices, and LEDs.

We intend to operate with a tripolar business model among Japan, Greater China, and the ASEAN nations, working closely with Nagase Plastics Co., Ltd. and Setsunan Kasei Co., Ltd. to unify operations.

» Polymer Products Department



Executive Officer;
GM, Polymer Products Department
Kenji Nagafusa

Fiscal 2011 Strategies and Results

During fiscal 2011 we established a business model focusing growing sales of Eastman Chemical’s copolyester in the cosmetics/toiletries market, aligning ourselves with that company’s strategies. We also conducted a partial launch of our own Denaito Ace® brand product of sheets and films made with Eastman Chemical’s copolyester.

While we were able to secure a solid position for SunMorfee™V (a SunDelta Corporation insulating sheet) as a standard product for electric power applications, the slow TV market, price pressure due to new competition, and lower profitability have combined to force a shift in the industry. Meanwhile, we were successful in generating results in the office automation field, and SunMorfee™T has been certified for LED light heat applications by all of the major LED manufacturers.

In a tremendously challenging market, we experienced a significant downturn in sales of SCANTEC®, our own sheet/film surface inspection system. We plan to spend time and energy in improving the organization and developing new products for this line moving forward.

TOPICS

Eastman Chemical Copolyester CN-015

CN-015 is a PCTA resin, and the most clear polymer ever produced by Eastman Chemical. The product is gaining traction in the market under the catch phrase, “looks like glass, feels like glass.” In addition to use as raw materials for Nagase, we are promoting the adoption of this material among Japan’s brand owners in cosmetics markets supporting the Eastman Chemical strategy of being the No. 1 Glass Polymer Manufacturer in the World.



As a result of the preceding, we experienced lower revenues and profits in this segment in fiscal 2011, despite achieving progress with our strategic initiatives.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, the strategies in this department call for developing original products, strengthening our core businesses, and creating synergies with other group companies.

With respect to developing original products, our aim is to conceive and develop functional sheets and films as well as plastic molding products, rolling the results out as new products. In particular, we have hired a dedicated manager for generating specific results for Denaito Ace® sheets and films utilizing Eastman Chemical raw materials.

To strengthen our core businesses will be working to expand sales of Eastman Chemical’s copolyester resin in the cosmetics and toiletries sector as well for the SCANTEC® inspection system. In addition to introducing comprehensive improvements in our sales capabilities, we also plan to strengthen both technological and manufacturing abilities, as we coordinate more effectively with contract manufacturers.

In creating synergies with other Group companies, we plan to develop specific, unique products. We have already established specific goals with Kotobuki Kasei Corp. and Nagase Precision Plastics Shanghai Co., Ltd., and we are accomplishing a central role in resin processing for processing segments, gathering together accumulated expertise and experience, adopting group manufacturing company technologies, and utilizing development functions in Shanghai.

We expect a challenging competitive environment in our target appliances and electronics markets, which is why we have identified environment, bio, and life sciences as new major sectors in which we are planning new products.



Director and Managing Executive Officer
Kazuo Nagashima

Electronics

“ We offer electronics industry worldwide solutions through a leading business model that predicts and understands technological and service needs in the market, utilizing the Nagase Group and partner resources. We believe this business model will lead to sustained growth in our segment. ”

» Segment Net Sales



Business Overview

The Electronics Segment offers original products and services, anticipating big demand in the electronics, while at the same time offering information from downstream sources to other Group segments.

Strengths

- Manufacturing and processing functions in Japan and worldwide
- Product capabilities, in-channel information collection, and marketing functions
- Solutions proposal (business planning, creation) functions

Primary Businesses

- 1 Smart phone and tablet business
- 2 Next-generation display business
- 3 Semiconductor postprocessing
- 4 Environment and energy business

» Electronic Chemicals Department



Executive Officer;
GM, Electronic Chemicals Department
Kenichi Horie

vehicles and hybrid vehicles.

As a result of the circumstances, we experienced lower revenues and lower profits for fiscal 2011.

Change-S2014 and Fiscal 2012 Strategies

The major goals for this department under **Change-S2014** to approve the development and manufacturing systems at our bases of operations in Japan, the United States, Europe and Asia, utilizing Nagase ChemteX elemental technologies (epoxy, photosensitive materials and related solutions, specialty coatings) to operate a locally autonomous business model, establishing a robust foundation for our display, electronic devices, semiconductor manufacturing processes and environmental businesses.

For the fiscal 2012, we will focus our efforts on expanding production of epoxy resin products for mobile devices and power modules in the markedly growing smartphone market. At the same time, we realize that there are concerns about a worsening global business environment, including lower demand for semiconductors and large-scale LCD panels. In addition, we plan to establish a development, production and sales structure for epoxy resins in Japan, China, Europe and the United States, building a stronger business platform. In our Total Chemical Management business, we will be exploring options to expand overseas, while at the same time establishing a solid track record for electronics solvent recycling and other new applications. We will also be bringing together the technologies of Nagase ChemteX, Pac Tech (Germany), and Alchimer S.A. (France) based on a product development roadmap for 3D semiconductor mountings.

Fiscal 2011 Strategies and Results

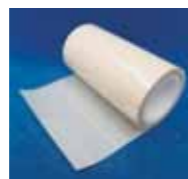
Fiscal 2011 was a year of multiple natural disasters which had a significant impact on electronics and home appliance manufacturers. The formulated epoxy business experienced favorable results, supported by sheet materials and liquid sealants introduced during the year, but the demand for semiconductors and LCDs slumped.

We acquired Engineered Materials Systems Inc., a formulated epoxy resins maker, as a base of production in the U.S., and we are now in the process of coordinating operations with Japan and China.

We have high expectations for future business with global automobile manufacturers, having secured certification for the Nagase ChemteX epoxy resins for use as insulating materials and adhesives in next-generation electric

TOPICS

Power Module Heat Dissipation Sheets



We have successfully developed sheet materials featuring high thermal conductivity and low thermal resistance. This sheet material consists of an inorganic filler combining highly insulative and heat dissipation properties, densely packed into an epoxy resin. We are currently putting together a lineup of dairy products to meet the varied market demands of power transistors installed in railway, industrial equipment, home appliance, and other applications.

» Electronic Materials Department



GM, Electronic Materials Department
Masatoshi Kamada

In addition, we experienced significant growth in revenues for LED lighting products, an area we have emphasized over the past several years, due to rapid growth in the market.

As a result, this department recorded increased revenues and profits for fiscal 2011.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, the goal of this department is to learn directly from smart phone and tablet brand owners their true needs, putting ourselves in a position to pursue joint development project. We believe this will lead to the continued creation of high-value-added business.

Guided by this goal, we will be improving our global cooperative business structure and human resources training at local sales and manufacturing entities in Japan, Europe, the United States, China and other Asian regions, South Korea, and ASEAN regions. In addition, as a business located near downstream products, we believe that one of the most important things we can do is to promote cooperative business ventures with other Group segments.

We believe that the LED lighting business has the same potential for growth as the mobile device sector, driven by the rapidly growing energy conservation and eco-friendly demands in the wake of the March 11 earthquake and tsunami in Japan. To deal with this rising demand, we have made improvements to our overall domestic operations, and continue to break new ground in search of new customers.

Fiscal 2011 Strategies and Results

During fiscal 2011, the display market was extremely challenging due to price decreases associated with falling demand in the TV set market, particularly for large format displays. However, mid-sized displays for smart phones, tablets, and personal computers experienced significant growth, demonstrating a clear split in the market depending on display size.

Faced with these challenging conditions, the Electronics Materials Department focused efforts on the mid-sized display sector, limiting stronger marketing and sales not only for our customers for smart phone, tablet, and personal computer manufacturers, which are our end-users. We also expanded production related to mid-sized displays, and pulled out of the business of manufacturing large-sized displays. Our display-related business experience year-on-year growth in both sales and profits for all products, including LCDs, touch panels, cases, and electronic paper.

TOPICS

Significant Growth in Display-Related Business

In addition to the existing market or LCD-related, touch panel-related components and thin processing for LCD panels, we have rolled out a business to manufacture components related to mobile device cases (soil-proof, self-healing, polishing, etc.).

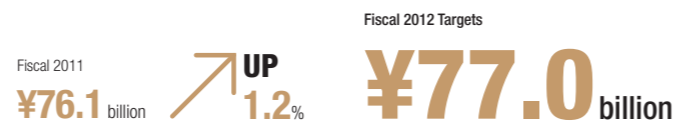


Director and Managing Executive Officer
Kazuo Nagashima

Automotive & Energy

“ Given the expansion of emerging economies, we will pursue growth in energy management-related businesses focusing on expanding our core resin business and our component business for electric vehicles applying our proprietary technologies. ”

» Segment Net Sales



Business Overview

The Automotive & Energy Segment looks to create a new global business model driven by technological innovation that supports the automobile and other environmentally-friendly energy business sectors.

Strengths

- Marketing capabilities that uncover the needs and provide new products to the automobile industry
- Close coordination between overseas networks and Group departments
- Relationships of trust with customers build on our understanding industry and expert knowledge
- CAPTEX Co., Ltd. (batteries), other partner company expertise and manufacturing development functions

Primary Businesses

- 1 Resins related business
- 2 Car electronics business
- 3 Energy storage business
- 4 Energy creation/energy conservation business

» Automotive Solutions Department



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

Fiscal 2011 Strategies and Results

During the fiscal year ended March 2012, the March 11 disaster in Japan and the flooding in Thailand caused significant interruptions to the value chain. However, we were able to overcome difficult situation to legal support system cutting across country and regional borders. In addition, the rapid and extraordinary recovery in automobile industry production led to a steady earnings recovery in this segment. As the final year of our “CHANGE”II three-year business plan, we focused on improving profitability, constructing an eco-related business, and developing our own unique technologies, manufacturing processes, and products. Further, we made investments in our semiconductor development ventures and wire-reduction technology joint ventures for the purpose of developing core technologies and product business fields.

Internationally, we added more elements to our global network. Our joint venture for manufacturing blow-formed components in North America began operations, while in India we invested in a local company also engaged in the manufacture of blow-formed compo-

nents. In China, we established an office inland in Chongqing/Chengdu, allowing us to offer more extensive services to Japanese automakers in the region.

As a result, we experienced greater revenues and profits in our fiscal 2011 consolidated results, despite the impact of the various natural disasters that occurred during the year.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, we will be joining society in establishing a new approach to the automobile in the modern environmentally-friendly society. To this end, we will create a business model supporting the next generation of products and services in the auto industry through our Automotive & Energy Segment. We established CAPTEX to lead the Group’s lithium ion battery business. We have transferred this company to the Energy Business Office, which integrates the automobile business and the environment/energy business. At the same time, the resins business in which we established our reputation in the market has shifted towards using fewer raw materials. Here, we will offer even higher value by transitioning metal components to resins, and developing our own light-weight materials and technologies.

In the car electronics field, we are working towards creating a global procurement and supply for battery motor power module components and materials—products in which Japan has particular strengths. In pursuit of this goal, we will be working even more closely with Group operating bases around the world. We also intend to develop functional products that match the needs of the market by creating stronger cooperative ventures inside our own Group and with joint development partners, as well as equity investments and manufacturing joint ventures. In addition to engaging more actively in China where future growth is anticipated, we will also be more active in Indonesia, India, Mexico, and other emerging countries.

» Energy Business Office



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

Fiscal 2011 Strategies and Results

During fiscal 2011, regeneration energy gained renewed attention in the wake of the March 11 earthquake. In our PV*1 business, we developed and began sales of systems designed to withstand strong winds and heavy snow. Where standard PV systems have experienced price deterioration due to underselling, the special features of our systems have led to stable results through our own sales channels.

We also developed portable rechargeable batteries northeastern Japan construction, as well as independent battery systems that combine PV functions. We developed HEMS*2 using rechargeable batteries for proof-of-concept experiments conducted in Kitakyushu and Toyota Cities.

In connection with reducing the volume of fuel oil used in protected horticultural houses and other greenhouse heating applications, we developed the Natural Eco 371 heater, which was successful in reducing fuel oil volume by 30%. The reliability of this data was confirmed in agricultural experiments conducted in Kochi

TOPICS

CAPTEX Develops a Rapid Recharger System Utilizing Rechargeable Batteries

This product allows for the use of rechargeable batteries instead of costly power receiving equipment when installing a rapid recharger system. We have already begun proof-of-concept tests at customer locations, and CAPTEX is scheduled to install a system in the Okazaki City public library in Aichi Prefecture, where the new CAPTEX plant is located.



prefecture, and we have high expectations for greater sales in fiscal 2012.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, the goal of this office is to build an integrated foundation for our businesses and to create synergistic business opportunities working in cooperation with other Group organizations.

In our green energy business, conducting zero energy greenhouse proof-of-concept tests utilizing OPV (organic photovoltaic solar power generation sheets), which we will begin handling during fiscal 2012. These tests are designed to prove solar power generation and heater technologies for greenhouses.

In our rechargeable battery materials business, we will be attempting a new approach introducing assembled battery units to end users (automotive manufacturers, etc.), rather than simply selling raw materials to battery manufacturers. We will also develop components for modules featuring new functions that capitalize on the expertise at CAPTEX.

And, in our rechargeable battery systems business, we will be conducting tests to prove products in a HEMS house built within the CAPTEX Okazaki plant.

As the reader can see, **Change-S2014** for this department is not simply selling product from one hand to the other, but a call to create a consultative business and independent concepts and testing data to match the needs of our customers. At the same time, we will be focusing on the development of products combining photovoltaic systems and rechargeable batteries, creating a completely new business model unique to the Nagase Group.

*1 Abbreviation of photovoltaic power generation: Solar power generation.

*2 Home Energy Management System: A system that networks energy consumption equipment within the household, offering automated control functions.

TOPICS

Sponsoring Private Exhibitions at Chinese-Affiliated Manufacturers



Chery Automobile, BYD, and Great Wall Motor Company are three companies in China that have demonstrated remarkable growth. At these three companies, Nagase & Co., Ltd. sponsored exhibitions displaying our automobile-related products and technologies. This allowed us to introduce new innovative designs, functions and productivity improvements, while the three companies in question responded very favorably to numerous electric vehicle and hybrid technologies and products in which Japan leads the world.

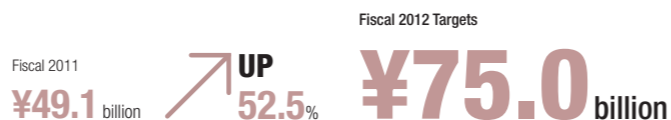


Director and Executive Officer
Osamu Morishita

Life & Healthcare

“ *The goal of this business segment to create added value in contributing to a better relationship between people and their environment through business that is more closely tied to individual lifestyles. In addition, we will be active in research and development, investing, and business opportunities science fields, expanding into new business domains, particularly in developing biotechnologies and bio production applications.* ”

» Segment Net Sales



Business Overview

The philosophy of the Life & Healthcare Segment is to create a safe, comfortable living environment. Our goal is to pursue development and cooperative business ventures with customers and other Group organizations to create new value that contributes to pharmaceuticals, foods, health and beauty, establishing a presence as one of the leading business providers in the sector. We will coordinate with our newest business partner, Hayashibara, to uncover opportunities in the bio and life sciences fields as we develop new and functional materials to contribute to a better living environment.

Strengths

- Variety of Group research and development/manufacturing functions
- Global network extending from Asia to Europe and North America
- A successful history in business related to pharmaceutical administration system, serving as a business foundation
- A domestic door-to-door sales network serving as the foundation of our care products business

Primary Businesses

- 1 Hayashibara
- 2 Enzymes/bio products
- 3 Pharmaceuticals/cosmetics serving as core Group companies
- 4 Investigational/diagnostic drugs
- 5 Door-to-door sales of beauty care products

» Fine Chemicals Department



Executive Officer;
GM, Fine Chemicals Department
Mitsuru Kanno

Group.

As a result, despite the earnings contribution of Hayashibara (one month's earnings), we experienced lower revenues and lower profits for fiscal 2011, mainly due to the slow rollout of developed products and the high valuation of the Japanese yen.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, the goals of this department, consisting of the Life & Healthcare Segment with the Beauty Care Products Department, are to create Group strengths in pharmaceuticals, foods, health, and beauty, becoming a collection of businesses that create high-value-added products and services from the perspectives of our customers and end users.

One of our most important business areas is our bio business, where, in addition to enzymes developed by the Nagase ChemteX Fukuchiyama location, we will be working in cooperation with new Group member Hayashibara Co., Ltd. To heighten the synergies of the Nagase Group, we will first work to expand sales of Hayashibara products in overseas markets, advancing joint-business opportunities in research fields that use enzymes and microbes.

It is no secret that Japan is dealing with issues of an aging population. Here, pharmaceuticals and medicine represent important businesses to the Nagase Group. We are looking to increase our share of the generic drug sector where drug price reduction is a major trend in the market. We will strive to meet market needs in terms of not only our existing investigational drug materials business, but also for generics and formulations.

Fiscal 2011 Strategies and Results

In pharmaceuticals during fiscal 2011, we established the NPG (Nagase Pharmaceutical Group) Team to coordinate with affiliates in order to grow the Group's pharmaceuticals business. We focused efforts in marketing generic anti-cancer drugs, a strategic Group business, and made the decision to construct a new manufacturing building in advance of the launch of a product created by Nagase Medicals. Working with sales partners, we are planning the launch for fiscal 2014. We will also embark on the construction of new enzyme facility at Nagase ChemteX, diligently marketing new enzymes including those identified for overseas markets, and expanding the potential for new applications. Further, we were proud to be able to add Hayashibara to the

TOPICS

Accelerating Development of Unique Enzymes through Actinomycete Technologies

The Nagase Group has developed a unique enzyme manufactured using actinomycete enzyme production technologies. We are constructing new manufacturing facilities for actinomycete enzymes inside the Nagase ChemteX Fukuchiyama Plant No. 1 in order to meet regulations in various markets around the world. The new facilities are scheduled to begin operations this summer.



» Beauty Care Products Department



Executive Officer;
GM, Beauty Care Products Department
Takaaki Hirai

Despite the positive impact of new products, we encountered difficulties extending the sales of existing products, leading to lower revenues and lower profits in the segment for fiscal 2011.

Fiscal 2011 Strategies and Results

Due in large part to the impact of the March 11 earthquake and tsunami, the cosmetics and health foods markets remained challenging, showing no recovery in consumer sentiment during fiscal 2011. In this difficult business environment, we pursued strategies to partially revise sales systems to speed up training of sales agents, to renew brand identities to improve recognition, to increase sales through the roll out of major skincare products, to launch a special recruitment campaign for beauty consultants, and to establish satellite offices in Nagasaki, as well as NALPHAS Kobe, as part of a regional development program.

TOPICS

New Ecolfie Skincare Line: Kihada for an Inner Glow

We blended the finest Majorca pink extract NAL (rosemary extract), cohesive extract from cloves, and seiryu-safflower extract to produce a premier skincare line embodying the best of Nagase research.

- Ecolfie (skincare line)
- Ecolfie1 Wash (face wash) 120mL ¥5,500
- Ecolfie2 Silky Lotion/Velvet Lotion (skin toner) 150mL ¥7,500 each
- Ecolfie3 Milk (skin milk) 80mL ¥8,000



Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, one of our major initiatives is to continue the growth of our door-to-door sales business. To accomplish this, we will increase Nagase brand recognition in the market with advertising and promotional videos, speed up the pace of sales agent training through a revised sales system, extend the effectiveness of our human resources through the adoption of the Nagase Brush-Up System training and human resources development program, engage in research based on the theory of herb sciences and technology, clarify the direction of our product research, and work to extend our reach into new regions through development teams directed from our headquarters. In addition, we will continue developing the high-growth Chinese market.

While we expect fiscal 2012 to be another year of slow recovery in consumer sentiment, domestically we intend to institute new support policies for sales agent training, revise our nationwide office structure to support regional development, restructure training systems for better customer service, and engage in other measures to grow our door-to-door sales business. In China, we will continue test marketing programs to identify potential markets.

Greater China



Executive Officer
CEO, China

Katsuhisa Yamaguchi

TOPICS

New Local Entities in Xiamen, Shenzhen; Stronger Headquarters Sales System in China

In May 2011, we established and started operations of Xiamen Nagase Trading Co., Ltd. in the Chinese city of Xiamen in Fujian Province as a local office financed entirely by Nagase (Taiwan) Co., Ltd. of Taiwan. In February 2012, we converted Nagase Marketing & Service (Shenzhen) Ltd., a wholly owned subsidiary of Nagase (Hong Kong) Ltd. to a local incorporated entity. These organizational changes have allowed us to unify our Japan, Taiwan, Hong Kong, and China sales organizations to more effectively work in the Chinese market.



Commemorating the establishment of Xiamen Nagase

Today, our Greater China consists of 11 sales companies, 14 branch offices, 11 manufacturing companies, and four service/administration companies throughout China, Hong Kong, and Taiwan. Through these entities, we are expanding our regional reach in automotive-related, chemical & life sciences, resin-related, and electronics businesses. With a goal of uncovering new business opportunities in the rapidly growing Chinese market, we are establishing a valuable network of information, services and logistics, expanding our market reach from Chinese coastal regions to the midwest and northeast of the country.

Fiscal 2011 Strategies and Results

The March 11 earthquake, flooding in Thailand, the European financial crisis, and historic highs in the valuation of the yen combined with a slowdown in the Chinese economy to make fiscal 2011 an extremely difficult operating environment. Although we saw expansion of automotive-related business in nearly all other aspects, our Greater China felt the impact of the aforementioned challenges and net sales were ¥155.69 billion (a 2.4% reduction year-on-year).

One of the most significant developments during the year was the establishment of Nagase Business Management and Planning (Shanghai) Co., Ltd., which took over administrative and business support functions for the entire Greater China region. In addition, we continued to focus efforts in our core life sciences business, creating more relationships with locally influential companies, and looking into more ways to improve all aspects of our analysis functions.

*Net sales for Greater China include Korea.

Change-S2014 and Fiscal 2012 Strategies

In Greater China, our mission is to create our own value and expand through regionally focused business. Our goal is to create conditions fostering intercompany and interregional synergies for the increasingly active southern, midwestern, eastern, northern regions, Taiwan and for Greater China as a whole. Looking at the high growth rate of the Chinese market, we will work to expand our business by focusing on important areas, environment and energy, electronics, automobiles and life & healthcare businesses.

In order to further expand our current core businesses, processing materials, automotive-related materials, and electronics materials, we intend to engage in further market development and training to grow our functional materials and life & healthcare businesses and enhance production, analysis and R&D functions by sharing and effectively utilizing information and technologies in the group. We are working to create closer coordination between our headquarters and Hayashibara to improve operations for product areas in which Hayashibara is particularly strong. As a regional strategy for our Greater China, we will continue efforts to expand our sales network extending from the Chinese coast out to the mid-western and northeastern regions, enlarging the markets you serve. We also intend to create deeper relationships among the Chinese market, the Japanese market and other overseas markets, in order to improve local manufacturing functions. In doing so, we will be able to increase the scope of each business segment by promoting so-called local in-spec business, a business model by which local entities take the lead in developing the local markets in China.

Operationally, we will focus on regional operational visualization as needed, particularly with Nagase Business Management and Planning (Shanghai) Co., Ltd., to create an auditing structure. At the same time, we intend to support the expansion of our business in China by integrating local staff training, risk management systems, and information systems infrastructure under stronger central control.

ASEAN and the Middle East



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

Ichiro Wakabayashi

Traditionally, the ASEAN region has been known for cheap labor and manufacturing, but with the growth of economies and per-capita GDP, these regions are being recognized for their potential as consumer markets. Our ASEAN businesses now encompass India, the Middle East and Oceania (eight sales companies, eight branch offices and eight manufacturing companies). We will focus on establishing a locally directed business model built on our wide-ranging Group network.

Fiscal 2011 Strategies and Results

Fiscal 2011 was a year of uncertainties caused by the unprecedented disasters in Japan and Thailand, compounded by the financial crisis in the Euro zone and historic highs in the valuation of the yen.

Fiscal 2011 was also the final year of our "**CHANGE"II**" three-year business plan. Under this plan, we invested in improving our manufacturing functions, we expanded high-value-added businesses utilizing Nagase FineChem Singapore (Pte) Ltd., Nagase ChemteX, and other Group products, and we made changes in our organizational structure to promote a greater regional strategy in expanding our operations in Australia, Bangladesh, and other countries. In addition, we improved our risk management structure by developing systems under a shared Asian standard and implementing an internal controls program.

As a result, although we saw progress in strategy implementation, net sales for fiscal 2011 decreased by 5.5% year-on-year, amounting to ¥72.88 billion, partly due to the impact of natural disasters.

Change-S2014 and Fiscal 2012 Strategies

Under **Change-S2014**, the three-year goal for this segment is to grow our resin-related business, while at the same time accelerating the pace of growth in other fields (electronics, chemicals, life sciences) as we balance our businesses and the geographical regions in which we operate. In addition, we will be establishing regional operating centers responsible for operating and management strategies to strengthen operations in these regions.

During fiscal 2011, we will create a closer coordination between headquarters and China in our core functional and processing materials businesses, while expanding our supplier base and implementing stronger measures for working with OA manufacturers. In time, we intend to develop new opportunities by launching a packaging materials business, developing our automotive/energy business in Thailand, implementing focused development of our electronics business in Malaysia and Singapore, and improving the sales process at Hayashibara. Conjunction with these initiatives we will be looking into ways to expand our business in the growing VIP countries (Vietnam, Indonesia, the Philippines) and extend our reach in Bangladesh and the three countries along the Mekong Delta (Myanmar, Cambodia, Laos). Administratively, we intend to strengthen our resolve management function, which we believe will lead to more rapid regional expansion and improved risk management.

TOPICS

Setting Up a Local Office in Dacca, the Capital City of Bangladesh

In recent years, the development of the textile and clothing industries in Bangladesh has been remarkable. We expect that these markets will continue to grow in the future. The Nagase Group sees a valuable opportunity to market our functional and processing materials in dyes, chemicals, and plastics to customers working in these industries in Bangladesh.



Nagase Singapore (Pte) Ltd.
Bangladesh Liaison Office

Nagase ChemteX Corp.



Nagase ChemteX Corp.
Representative Director, President
Kazuo Mitsuhashi

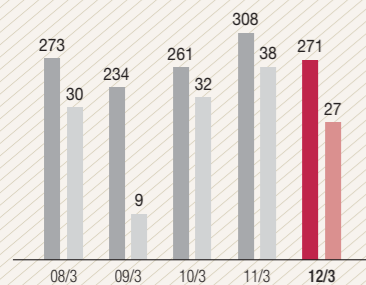
Fiscal 2011 Results

For fiscal 2011, net sales amounted to ¥27.19 billion (12% year-on-year decrease), while operating profit amounted to ¥2.74 billion, which represented a 28% decrease compared to the prior fiscal year. This result was mainly due to a slowdown in the electronics market for large-scale LCD panels for TVs and other electronics, resulting in lower sales of related products. In terms of profits, declining sales prices and sluggish sales of high-value-added electronic materials products pushed earning lower.

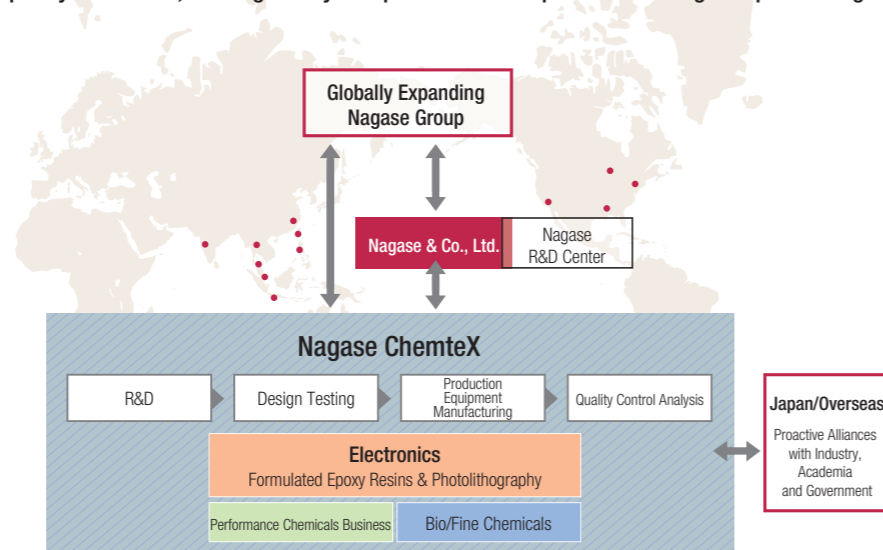
Net sales/Operating profit

■ Net sales ■ Operating profit

(¥ hundred million)



Nagase ChemteX Corp. occupies the central role in Group manufacturing. Leveraging our long-accumulated, proprietary technologies of synthesis, compounding, biotechnology and evaluation—this company is a chemicals manufacturer offering a unique line of products posting high market share in niche categories. By creating deeper expertise and integrating these core technologies, we are able to offer highly technical services supporting new development and small-run production capabilities to meet the needs of our users. As we improve our various foundational technologies, adding high functionality and differentiation in various niche markets, we will build on the foundation of trust with Nagase Group customers, developing high-function, high-value-added products and services for our end users and electronics, biotechnology, environment, and energy applications. In addition, this company plays a lead role in safety, environmental compliance, quality assurance, and regulatory compliance for Group manufacturing and processing.



Production System

Our Harima Plant manufactures a variety of electronics and functional chemicals products where the Japanese market. Here, we completed a new microelectronics products manufacturing facility in March, expanding our supply capabilities. Further, we expanded adhesive materials production facilities for electronics materials in preparation for growth in the market. Our Fukuchiyama Plant manufactures enzymes, fermented products, and other life sciences-related products. We began construction for a new production building at this site to expand our capacity for overseas exports. In addition, we have numerous energy conservation activities at all of our locations, making the decision to sell emission reductions (domestic credits) certified under the Japanese certified emission reductions system out of our Harima Plant.

Overseas, at Nagase ChemteX (Wuxi) Corp., in addition to our manufacturing facility for formulated epoxy resin products, we have decided to open an R&D center to expand research and development functions.



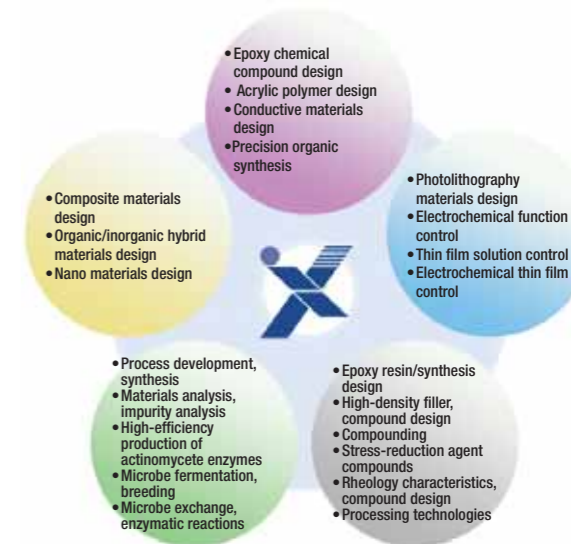
Harima Plant: New formulated epoxy resin production facility



Fukuchiyama Plant: New enzyme production facility

Research and Development System

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 were active in developing conductive, transparent, and environmentally-friendly materials. In particular, we successfully developed high-functioning nano particle dispersing elements to meet market needs for optical material offering a variety of features. This development helped us expand the number of applications for our products. One of our strengths is our ability to select periods for development based on our understanding of Group-wide needs, creating synergies between R&D and trading company functions.



Nagase ChemteX Corp. Component technologies

Fiscal 2011 Operations Electronics Business

In this business, we perform a product development and production based on advanced formulated epoxy technologies. While sealants for organic EL and flat panel displays experienced growth, results for epoxy sheets for mobile phones and liquid sealants for semiconductors remain flat compared to the prior fiscal year. In our LCD-related business, we experienced lower overall activity, partly due to reduced production among our customers. In the environment and energy business, we were able to generate new business based on the market's recognition of the weight savings and durability of our products in smart grid and hybrid vehicle applications. However, the impact of the strong valuation of the yen on solar cell adhesives and the delay in setting a buyback system for resins used in wind power generation applications did not allow for a net positive result. During the period we did place Engineered Materials Systems Inc. under the Group umbrella. The company is a formulated epoxy resin manufacturer conducting global business and development operations from its base in the United States.



Engineered Materials Systems Inc. (U.S.)

Performance Chemicals Business

In our Performance Chemicals Business, we were able to expand our offerings of functional materials based on unique organic synthesis and polymer synthesis technologies. We were also able to improve results related to epichlorohydrin conductors, expanding accepted applications of special water soluble Denacol in tire cords, and adding customers in China, Vietnam, Turkey, Thailand, India, and other regions. In addition to domestic sales of special acrylic rubber functional polymers as an adhesive for semiconductors, and began selling product South Korea, as well as China and Taiwan. As well, we were successful in extending applications of transparent conductive polymer Denatron beyond antistatic use related to displays, extending this product to a variety of different fields through development of highly conductive types.

Bio/Fine Chemicals Business

In our enzyme business, we were active in the development of new applications to meet customer needs in efforts to expand our sales base. We expanded the product lineup of our phospholipid products utilizing phospholipid converting enzymes, developing markets for applications such as health foods and cosmetics. With respect to our active pharmaceutical ingredients and intermediates business, we successfully entered the market for peptides through our accumulated technologies in non-natural amino acids.



Change-S2014 and Fiscal 2012 Strategies

Under the new **Change-S2014** three-year plan beginning fiscal 2012, we will continue to improve our management foundation.

We intend to work more closely with other companies and universities in research and development projects, creating new business and new products based on our unique development capabilities built on numerous elemental technologies in order to meet the diverse range of needs in the markets. At the same time, we will focus on research and future growth areas, leveraging domestic and international network of the Nagase Group and the wealth of information available, exercising due management over development activities in selecting long-term research subjects and allocating resources.

Further, we intend to engage in active capital investment both in Japan and overseas, improving productivity and strengthening our production foundation as a manufacturer, exemplifying operational safety, production technologies, and quality assurance, and playing a central role in the R&D and manufacturing functions of the Nagase Group.



Hayashibara Co., Ltd.
Representative Director, President

Reiji Nagase



Functional sugars factory



Laboratory



Trehalose (powder)

Trehalose (crystal)

Hayashibara continues to explore deeper research and development into biotech and other advanced technologies, building on our long history of success. We are a world-leading company in the field of functional sugars. In addition, we are now excited to work closely with the companies in the Nagase Group to create businesses in a wide range of fields based on biotechnology advancements, leveraging the Nagase Group network to grow actively overseas.

Business Overview

Hayashibara traces its roots to 1883, starting as a starch syrup manufacturer. Since that time, we have engaged in research and development in areas not undertaken—or even possible—by other companies. Today, we categorize our business into functional sugars and functional dyes. Our functional sugars business consists of the manufacturing and sales of food materials, such as trehalose, and stable vitamin C AA2G used in whitening cosmetics. Our functional dyes business uses organic synthesis technologies to manufacture a variety of dyes used as photosensitive materials for photo and printing applications, as well as for active components in pharmaceuticals and pharmaceutical cosmetics. Moving forward, we intend to develop new applications for existing products and explore new sugar materials, in addition to improving our manufacturing functions to allow us to more quickly serve the needs of the market.

Main Products

One of our most well-known products is the functional sugar trehalose. Trehalose exists in abundance in nature—in animals, plants, and microbes. However, manufacturing costs have been nearly prohibitive due to the difficulty in extracting the substance. As such, trehalose had traditionally only been used in a small spectrum of cosmetics and reagents. In 1994, we were the first in the world to discover how to use starch to allow low-cost mass production, resulting in an explosion in the trehalose market. Trehalose exhibits a number of beneficial effects, including the prevention of degeneration in proteins and the aging of starches. Hayashibara will continue to grow our sales to business partners operating in foods and cosmetics in Japan and around the world.

Fiscal 2012 Strategies

In fiscal 2012, our first full fiscal year as part of the Nagase Group of companies, we plan to create a foundation that will allow us to integrate and coordinate with the Nagase family, reaching new levels of growth.

We will complete the planning and adoption of new corporate management policies (business planning, budgeting, information systems, human resources, risk management, quality assurance, etc.), a process we began last autumn. As we execute under these new policies, we will do so from a foundation of sustainable management practices.

We are presently reviewing our production facilities in order to structure a stable, efficient supply system through improvements in safety, quality, and technology. We intend to make active capital investments, including potentially scrapping old facilities and building new.

Further, we plan to extend our own basic research and applied development capabilities in advanced biotechnologies, supported by these restructured research and development systems. These changes will allow us to strengthen our functional sugars business, while at the same time moving closer to strategies that will serve as future core company segments.

We believe that improving our overseas business capabilities is a particularly important factor for our future earnings, which is why we are targeting a 30% overseas business ratio, supported by aggressive product line expansion overseas leveraging the Nagase Group international network.



Achievements in Fiscal 2011

Product Development

- Expansion of pharmaceutical related business based on unnatural amino acid synthesis technology
- Release of "Collagenase," a novel enzyme derived from actinomycetes, and a novel enzyme for breadmaking
- Release of "Ecolife" skincare products

Technological Results

- Establishment of functional amino acid production method
- Improvement of actinomycete hosts using unique technologies (overexpression of protein and production of chemical substances)
- Improvement of bioinformatics technology
- Establishment of application evaluation technology for an enzyme for breadmaking
- Clarification of the preventive and soothing effects of acetaminophen in fermented ginseng

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	<ol style="list-style-type: none"> Development of production methods for unnatural amino acids by utilizing Maruoka Catalyst™ (asymmetric phase-transfer catalyst) Development of functional products using unnatural amino acid
2. Biotechnology (microorganisms, enzymes)	<ol style="list-style-type: none"> Identification of new enzymes through a ready-to-use microorganism and genome library Achievement of highly efficient protein production by utilizing genetic engineering Production of substances by utilizing enzymatic reaction technologies Development of various chemicals by utilizing genetically modified microbes
3. Natural materials development and application technologies	<ol style="list-style-type: none"> Identification and evaluation of new ingredients for health foods and cosmetics Development of formulation methods for cosmetics and health foods
4. Drug discovery support technologies	<ol style="list-style-type: none"> Development of nucleic acid-related technology in cooperation with TAGCyx Biotechnologies Development of applications for adhesamine derivatives in the field of regenerative medicine Development of reagent for receptors in humans in the diagnostic and evaluation fields
5. Analysis and evaluation technologies	<ol style="list-style-type: none"> Analysis of imported active pharmaceutical ingredients according to the Japanese Pharmacopeia in compliance with GMP standards and the establishment of specifications

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.

	Fiscal 2011		Cumulative Total (to Fiscal 2011)	
	In Japan	Overseas ⁽¹⁾	In Japan	Overseas ⁽²⁾
Patent applications ⁽¹⁾	19	8	821	399
Patents ⁽¹⁾	9	9	181	192

(1) The number of patent in the name of the Nagase R&D Center. Licenses and other intellectual property rights are not included.
(2) Figures include applications for international patents.

Strategies for Fiscal 2012

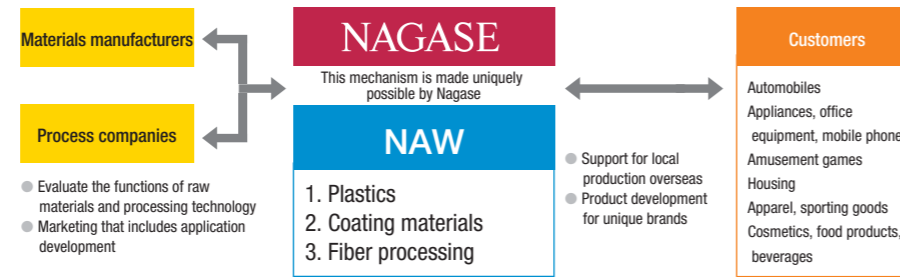
We will strive to develop high-value-added products using biotechnologies, amino acid technologies and nucleic acid engineering technologies. In particular, we will focus on the release of novel enzymes and biotechnology products and the development of functional amino acids, and together with TAGCyx Biotechnologies will develop nucleic acid related products. In addition, we will contribute to achieving satisfactory production results at Nagase ChemteX. Moreover, we will realize open innovation in order to accelerate R&D speed by collaborating with external organizations such as Kobe University.

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.

* Fiber processing operated by affiliate Nagase-OG Colors & Chemicals beginning April 2012.



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 L/D=45 and 26mm L/D=64)
- Henschel mixers
- Injection molding machines (80t and 110t)
- Analytical equipment (thermal analysis equipment, FT-IR, etc.)
- Physical property measurement equipment (tensile strength, bending, shock testing equipment, HDT testers, etc.)
- CCM (computer color matching system)

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)

- Painting booths
- Dispenser (paint conditioner, horizontal, vertical bead mill)
- UV curing system Drying oven
- Age testing equipment (xenon WOM, SUV weathering test equipment, constant temperature/humidity oven, etc.)

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)

- Micolor dyeing machine
- Shaking-type dyeing machine
- Printing screens

Throughout fiscal 2011, we worked closely with our customers, materials makers and processors on a number of different solutions and requests. We received visitors from almost 100 different firms, and turned a total of more than 50 new solutions into practical operations.

Plastics	<ul style="list-style-type: none"> • Developed a number of molding materials through the active use of recycled materials in cooperation with OA manufacturers • Developed a flexible optical guide materials jointly with mold makers • Developed molding materials with Tier1 and Tier2 applications in the automobile industry; developed a master batch with wider degrees of freedom in coordination with overseas entities • Developed plastic coloring compounds having high-grade black coloring and artificial marble coloring technologies allowing the use of styrene resins (patent application completed)
Coatings	<ul style="list-style-type: none"> • Sales of coating raw materials in overseas markets, particularly effective technical support of proposals for functional materials contributed quicker development and greater sales. • Developed anti-fog coatings and self-healing coatings as functional coating materials in cooperation with external corporate partners (patent application completed)
Fiber Processing	While the transfer was determined during fiscal 2012, during fiscal 2011, we accomplished a level allowing us to provide prototypes to end users in both inkjet and electrostatic formats as a result of development activities focusing on digital printing technologies. Beginning in April 2012, we will look toward full-scale business operations, transitioning to development activities that consolidate development, manufacturing, and sales within the Colors and Imaging Dept., Digital Print Dena Print Development Office.

Fiscal 2012 Policies

We are striving to be the applied technology development partner of choice in our plastics and coating businesses, continuing to demonstrate our skills in technological development and technical customer/user support and to be recognized for the unique Nagase services we offer. Having identified industries and technologies on which to focus, Nagase will take the lead in implementing activities that create seeds of new high-value-added businesses.

We have set our sights on the automotive and OA fields as target industries, working in coordination with sales departments to create new business approaches that only a firm like Nagase could produce.

During fiscal 2013, we will concentrate on surface treatment technologies, working mainly to commercialize composite technologies such as plastics, coatings, and printing.

Our goal is to uncover new elemental technologies more quickly than any other company in the world, working every day to offer the right decisions and NAW that we can propose to customers.

CSR Management

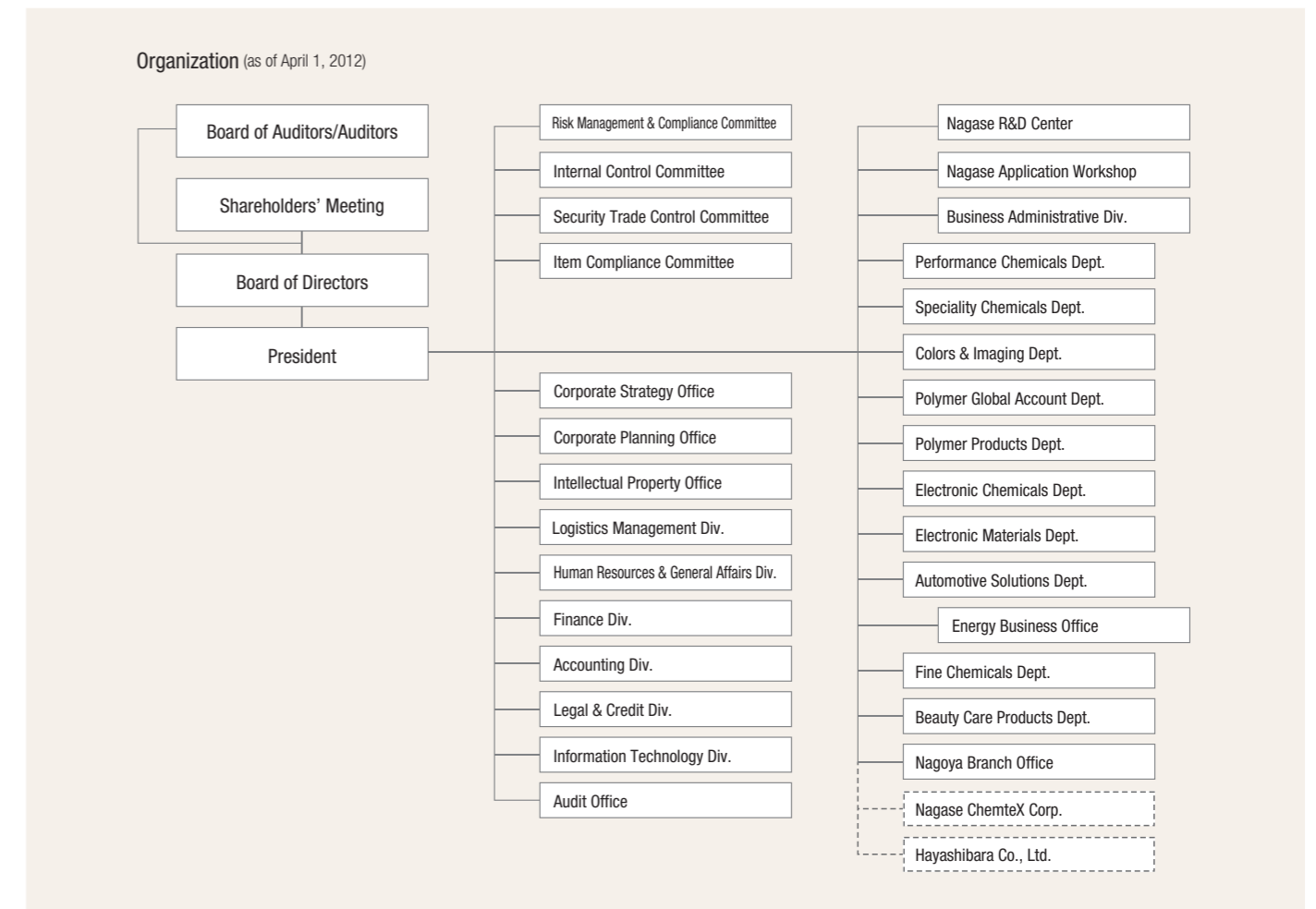
Management Philosophy

“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.



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, 2012)

Directors



Hiroshi Nagase

Representative Director, President and CEO



Makoto Tsuruoka

Representative Director and Senior Managing Executive Officer
Finance Division, Accounting Division, Corporate Planning Office, Information Technology Division, GM



Reiji Nagase

Representative Director and Senior Managing Executive Officer
Finance Division, Accounting Division, Hayashibara Co., Ltd.



Kazuo Nagashima

Director and Managing Executive Officer
Electronics Segment, Automotive & Energy Segment, America, Europe, South Korea



Kenichi Matsuki

Director and Managing Executive Officer
Human Resources & General Affairs Div, Legal & Credit Div, Logistics Management Div, GM Intellectual Property Office, Audit Office



Toshiro Yamaguchi

Director and Managing Executive Officer
Functional Materials Segment, Business Administrative Division



Hiroshi Hanamoto

Director and Executive Officer
Advanced Materials & Processing Segment, Nagase Application Workshop, GM, Colors and Imaging Div.



Osamu Morishita

Director and Executive Officer
Life & Healthcare Segment, R&D Center, Osaka Region

Outside Directors



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



Yasuo Nishiguchi

Outside Director
1975 Joined Kyoto Ceramic Co., Ltd. (currently KYOCERA Corporation)
1987 Director, KYOCERA Corporation
1992 Representative Director, Managing Director, KYOCERA Corporation
1997 Representative Director, Vice President, KYOCERA Corporation
1999 Representative Director, President, KYOCERA Corporation
2003 Representative Director, President and Managing Executive Officer, President
2005 Representative Director, Chairman and CEO
2012 Current position



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

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

Executive Officers

Mitsukuni Mori
Managing Executive Officer
Hayashibara Co., Ltd.

Mitsuro Naba
Executive Officer
GM, Speciality Chemicals Department

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

Kohei Sato
Executive Officer
GM, Performance Chemicals Department

Mitsuru Kanno
Executive Officer
GM, Fine Chemicals Department

Kazuo Mitsuhashi
Executive Officer
Nagase ChemteX Corp.

Kenji Asakura
Executive Officer
GM, Automotive Solutions Department,
Energy Business Office, Nagoya Branch Office

Takaaki Hirai
Executive Officer
GM, Beauty Care Products Department

Kenji Nagafusa
Executive Officer
GM, Polymer Products Department

Kenichi Horie
Executive Officer
GM, Electronic Chemicals Department

Katsuhisa Yamaguchi
Executive Officer
CEO, China

Shinji Nakamura
Executive Officer
Hayashibara Co., Ltd.

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.

Corporate Controls

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), 20 executive officers (eight of whom concurrently serve as 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.

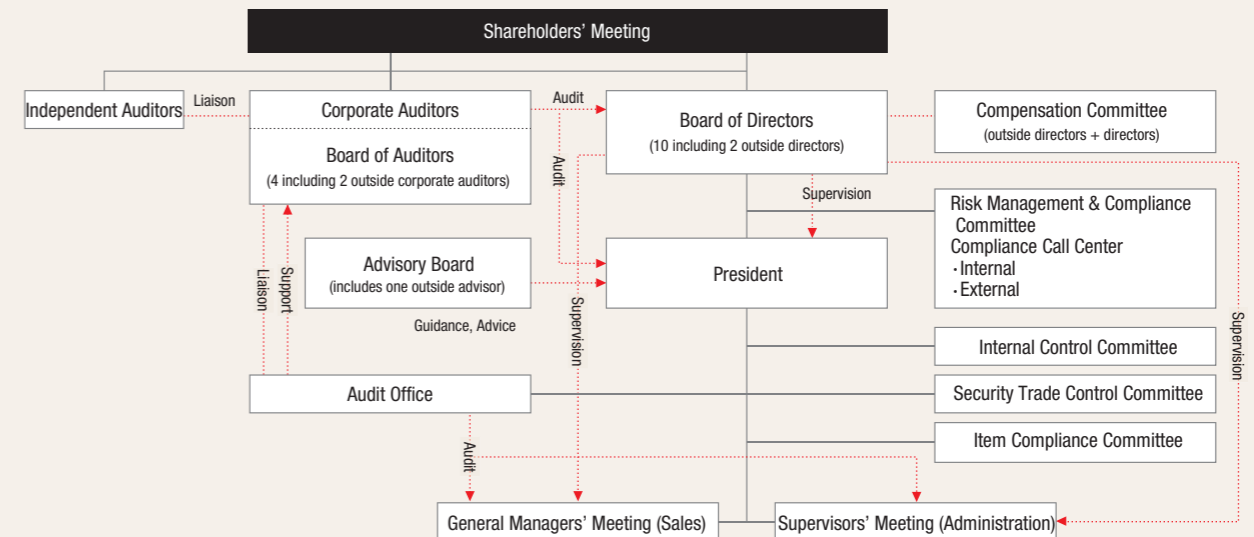
With the majority of its members made up of outside directors, the Compensation Committee ensures the objectivity and transparency of the Company's directors and executive officers in the decision-making process regarding compensation by screening the appropriateness of every compensa-

tion 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.

Nagase's Corporate Governance System



Internal Audits, Corporate Auditor Audits, and Financial Statement Audits

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 eleven employees, including certified internal auditors (CIA), qualified internal auditors (QIA) 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 26, which includes the following specified limited-liability partners and accountant trainees.

Certified Public Accountants		Auditing Firm
Specified limited-liability partners	Kenichiro Arai	Ernst & Young ShinNihon LLC
Managing partners	Yuka Hayashi	

Independent Directors and Independent Corporate Auditors

Nagase appointed all of its outside officers, namely, the two outside directors, Messrs. Iwao Nakamura and Yasuo Nishiguchi, 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.

Category	Name	Major Actions in Fiscal 2011
Outside Directors	Iwao Nakamura	Iwao Nakamura attended all 16 Board of Directors' meetings (100% attendance ratio) and provided appropriate opinions and advice attained from his experience in industry.
	Yasuo Nishiguchi	Named an outside director in June 2012. We have high expectations that this former consultant and long-time executive at Kyocera Corporation will help strengthen our corporate governance function by suggesting potential improvements across our organization based on his wealth of business experience.
Corporate Auditors	Hideo Yamashita	Hideo Yamashita attended all 16 Board of Directors' and all 13 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 14 of 16 Board of Directors' meetings (88% attendance ratio) and all 13 Board of Auditors' meetings (100% attendance ratio) and provided appropriate opinions from his specialized perspective as a lawyer.

(Note) The number of Board of Directors' meetings referenced above does not include resolutions made in writing.

Information Disclosure

We engage in continuing communications with society through the Nagase Group Compliance Behavior Standards and timely disclosure of important information through proper channels. Through the establishment of the Nagase Group Code of Conduct and the timely disclosure via proper channels of information needed by society, we engage in continuing communication with society. In this way, we maintain a fair, transparent dialogue, never allowing corporate activities to deviate from socially accepted norms.

This basic philosophy guides us as we conduct timely, appropriate, and fair disclosure of information through IR activities, public relations programs, and websites for our shareholders and investors to improve management transparency and accountability.

IR Activities

1. Initiatives for More Active General Shareholders' Meeting; Facilitating the Exercise of Voting Rights

(Early Delivery of General Shareholders' Meeting Convocation Notices)

- We sent convocation notices on June 6 announcing our June 28, 2011 96th General Shareholders' Meeting. We sent this notice earlier than the deadline required by law.

(Electronic Exercise of Voting Rights)

- The Company has adopted the exercise of voting rights via Internet and an electronic voting platform.

2. Initiatives for Improving Contact with Investors

(Regular Briefings with Institutional Investors and Analysts)

The Company holds financial briefing meetings with institutional investors and analysts once every half year. The Company's president and officers provide details of performance, earnings forecasts, and other management issues. A video record of these briefings is provided in Japanese with English interpretation on the Corporate website.

(Facility Tours)

The Company holds facility tours for institutional investors and analysts. In fiscal 2011, the Company provided a plant tour at Nagase ChemteX Corp., a Company subsidiary.

(Individual Meetings)

The Company engages in individual meetings with institutional investors and analysts as appropriate.

(Corporate Introduction Videos)

The Company creates corporate introductory videos for stakeholders to view on the Company's website.

(IR Publications)

Twice annually, the Company publishes a shareholder newsletter. The Company also publishes an annual report, available to all stakeholders.

(IR Website)

The Company publishes financial information, stock data, briefing materials, and associated media (videos, etc.) through the Company's IR website: <http://www.nagase.co.jp/english/ir/>

IR Activities

The Company's representative director, officers, and investor relations staff actively engage in investor relations activities for our shareholders and for institutional investors in Japan and around the world.

Please contact the Company's Public & Investor Relations Section of the Finance Division with any investor relations inquiries:

[Tel.] 81-3-3665-3028

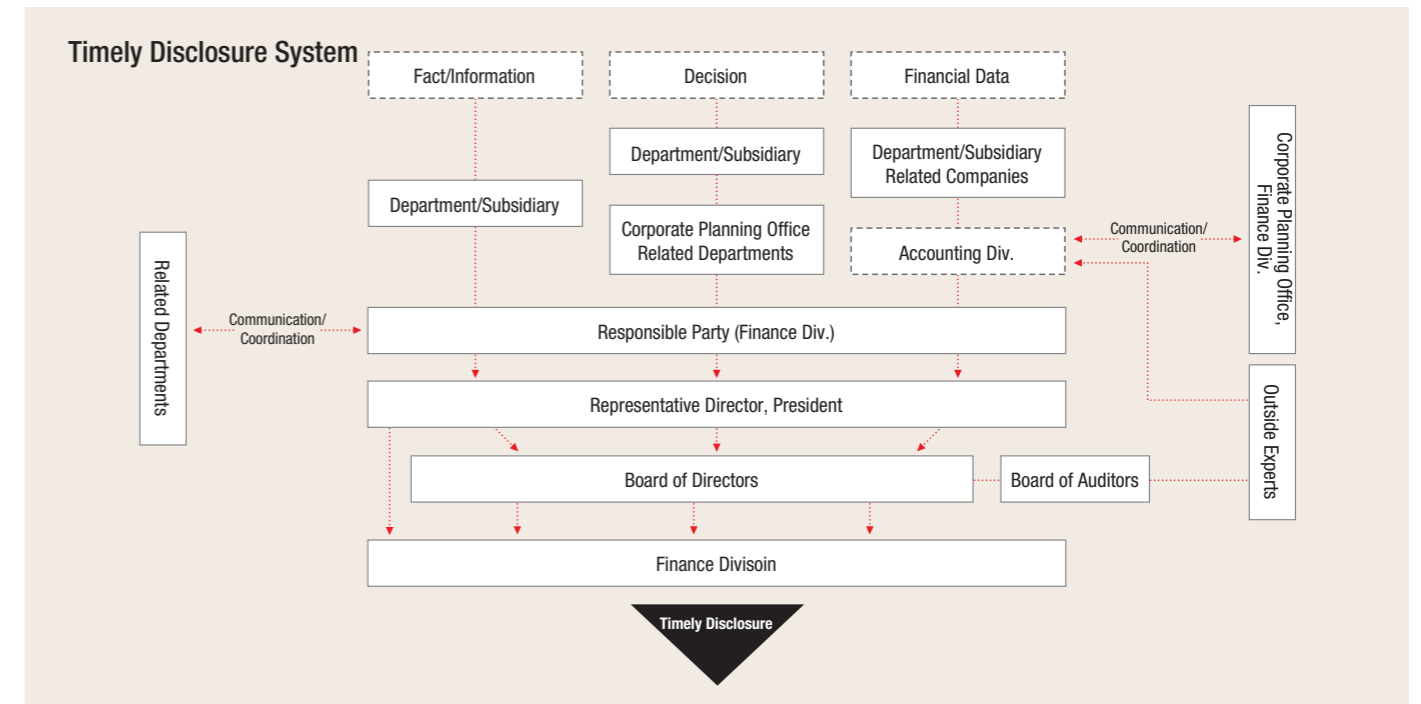
[IR Website] <http://www.nagase.co.jp/english/ir/>

Timely Disclosure

The Company has established Basic Compliance Policies that require compliance with laws, regulations and Company rules, as well as disclosing information to stakeholders. We proactively disclose corporate information in a fair manner, striving to maintain management transparency.

The Company has set into place the following internal systems to support

the timely and appropriate disclosure of Company information to investors. This system allows the Company to identify and manage information for timely disclosure. The Company works to consistently manage important internal information and prevent insider trading, as guided by Company rules in this area.



Facts or information subject to disclosure are reported to the responsible party through the related general manager/department GM, according to information provided from a department or subsidiary. The responsible party coordinates with internal departments and reports to the representative director/president of the Company. As necessary, a report is made to the Board of Directors, after which the Finance Division promptly makes a public disclosure of said facts or information.

Information related to decisions is forwarded via department/subsidiary internal memo to the Corporate Planning Office or related department for approval. From there, the information is reported to the Company representative

director/president, and then on to the Board of Directors for a final resolution before the timely disclosure of said information by the Finance Division.

To ensure reliability, information related to financial results (including information from consolidated affiliates) is submitted for review by the Accounting Division, Finance Division, and Corporate Planning Office to corporate auditors and outside experts for advice and guidance. Subsequently, financial data and publication drafts are prepared and submitted for approval to the Board of Directors, after which the information is promptly disclosed to the public by the Finance Division.

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.

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.

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 Risk 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.

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.

We have also strengthened and expanded Groupwide research, development, and manufacturing functions, recognizing the importance of continuing quality improvement for the Group as a whole.

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 Logistics Management 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

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

Trade Control Commission are convened once every two months. 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.

with developments, the Nagase Group encourages its employees—primarily those involved in export operations—to become Security Trade Control (STC) Associates by taking the exam offered by the Center for Information on Security Trade Controls (CISTEC). As of March 31, 2012, 485 employees from a total of 20 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. A total of 1,055 employees participated in training lectures during fiscal 2011.

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 using the above mentioned CP-PAS system. 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. To meet our own and customers' green procurement requirements, we rebranded our Green Procurement Guidelines (established in February 2007) as Green Procurement Management Regulations in November 2011, providing for the procurement/supply of appropriate goods after verification.

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 Chemical 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.

Business Continuity Plan (BCP)

Fiscal 2011 Results

The Company has identified a number of deficiencies in its initial response on the day of the March 11 disaster in Japan, recognizing the need to make improvements. The Company has reviewed and made significant revisions to its annual disaster response training program, and conducted a joint mock disaster drill at all locations in November of the most recent fiscal year. Simulating an earthquake centered under Tokyo, the Company set up a disaster response headquarters, performing safety confirmation, business continuity planning execution, first aid for victims, and other duties by response teams according to simulated events occurring in the wake of the mock disaster. In performing this drill, the Company uncovered several new issues. The Company intends to conduct further high-quality trainings of this type in the future.

Fiscal 2012 Initiatives

Since fiscal 2008, the Company has continued with division business continuity planning activities, rolling these activities out in stages to other divisions. As of fiscal 2011, all Company divisions have started business continuity planning programs. The Company will continue to review and improve its business continuity planning (BCM) in fiscal 2012 and beyond, ensuring higher levels of practicability.

Environmental Management

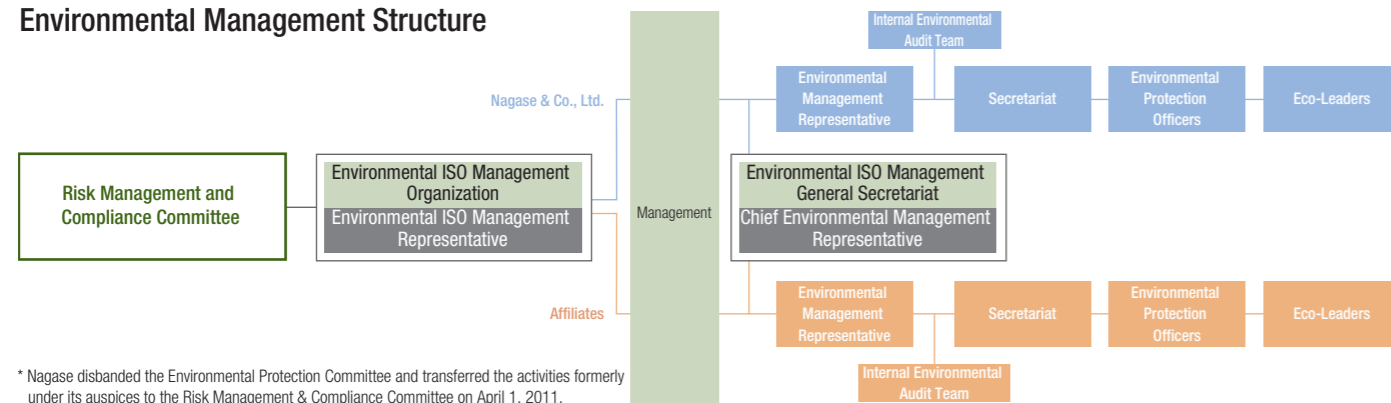
Nagase Group Environmental Management Structure

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, five sales companies—Nagase-OG Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd., Nishinohon Nagase Co., Ltd.—conduct activities under the ISO management structure together with Nagase at its certified business establishments.

In addition, many Nagase Group manufacturing, processing, services, sales and other Group companies, having acquired certification independently, are conducting their own environmental activities.

We will continue with activities to improve the environmental management systems among certified Group companies.

Environmental Management Structure



* Nagase disbanded the Environmental Protection Committee and transferred the activities formerly under its auspices to the Risk Management & Compliance Committee on April 1, 2011.

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 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. The Company is strengthening its existing eco-businesses with new businesses in the energy field, placing extra focus on photovoltaic (PV) generation and energy-storage devices. Under our new three-year plan **Change-S2014**, Nagase will emphasize creating and expanding environmental and energy technology. 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. 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 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, Nagase has been designated as a “specified corporation” by the Bureau of Economy, Trade and Industry since its energy usage exceeds fixed levels. Consequently, since fiscal 2011, we have compiled data on the amount of energy consumed at every facility, formulated medium- and long-term energy reduction plans, and submitted regular reports to the Bureau of Economy, Trade and Industry. In fiscal 2011, to deal with electricity usage restrictions this fiscal year due to the impact of the March 11 disaster, we reduced the amount of lighting used in all facilities, adjusted HVAC controls, and reduced electricity usage during peak times.

Beginning with fiscal 2010 we tested LED lighting in our Tokyo headquarters building. In fiscal 2012, we adopted LED lights throughout the Tokyo building. Next year, we will introduce LED lighting in our new building.



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.



Nagase's Environmental Business

The Nagase Group takes advantage of its trading company functions to uncover environmentally friendly products, offer feedback on market trends to suppliers, and propose new or alternative uses. The Company supports the environment and energy business through products, services, technology, and information.

1 Electronic Chemicals Business

2 Nagase Enters Organic Fertilizer Business

3 Smart Grid Business

1 Electronic Chemicals Business



Developer Dilution Supply Equipment



Precision Filtration Equipment



Developer Control Equipment

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.



Chemical Recycling Plant within Sharp's "Green Front Sakai"

2 Nagase Enters Organic Fertilizer Business



Kawai Hiryo manufactures organic fertilizers, including Bokashi fertilizers, and agricultural chemicals and materials, and supplies these products to professional agricultural producers nationwide. Bokashi fertilizers feature (1) easier breakdown in soil and (2) easier plant absorption of components in the fertilizer. This is accomplished by obtaining limited food residues and other organic raw materials, turning them into high-value-added fertilizer through fermentation and aging.

During fiscal 2011, Kawai Hiryo began selling Akitsushima, a high-activity Bokashi fertilizer using free-range chicken as the main raw material. The Company also entered into a business tie-up with Radishbo-ya Co., Ltd., a major organic agricultural retailer expanding its presence in major urban markets. Under this agreement, the two companies are supplying Radishbo-ya-affiliated producers with a jointly developed fertilizer. Kawai will continue initiatives to supply safe, high-quality agricultural goods to consumers at the lowest prices possible.

Another major Kawai business is in the growing/sales of tomatoes and other premium agricultural goods. Here, the company works in cooperation with affiliate Uma Yasai Farm to expand the Uma Yasai brand products based on proprietary cultivation technologies. This venture is designed to expand production of agricultural goods using the Kawai fertilizers.

Going forward, Kawai will integrate with the Nagase Group bio technologies, actively developing fertilizers and agricultural materials, engaging in agricultural pursuits through proprietary means, and establishing a new generation of high-value-added businesses.



3 Smart Grid Business

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.

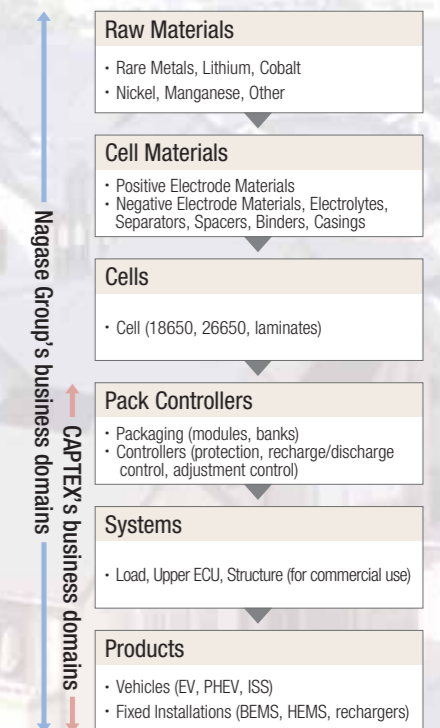
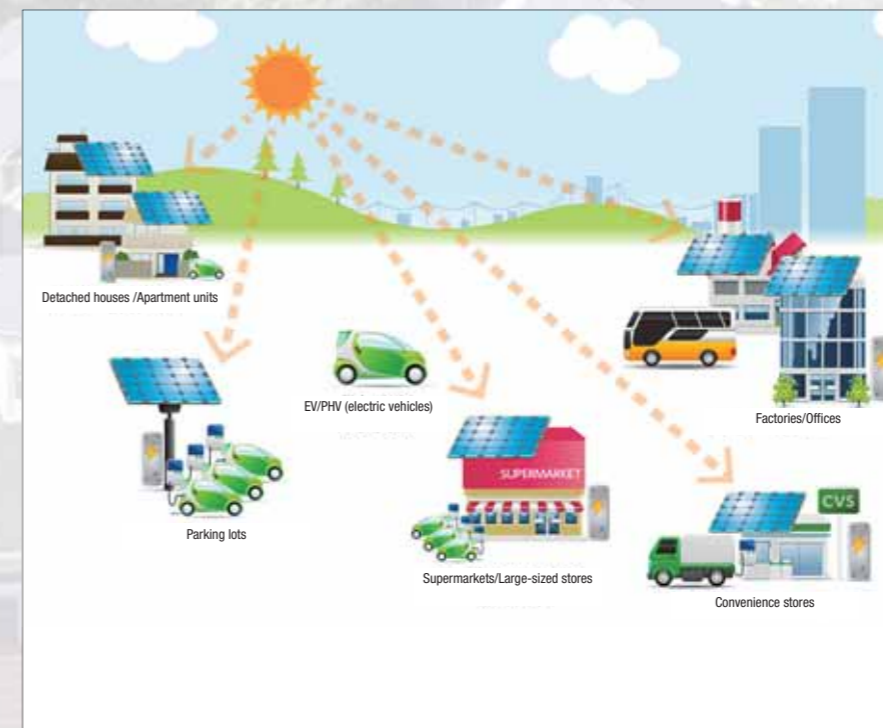
Amid demand for high-efficiency, long-lasting and safe batteries, control modules are a necessary component of technology to regulate battery-related data. Leveraging CAPTEX's highly effective control technology and expertise in the area of remote battery data management, we are designing and developing 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); (5) Mass production.

With the construction of a high-volume production plant* in Okazaki City, Aichi Prefecture, which completed in April 2012, 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, completed: April 11, 2012)



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.

Current Contributions include research grants to researchers, etc. To date, the foundation has awarded a cumulative 374 research grants and 178 international exchange fellowships (discontinued in fiscal 2004), the sum of which totals approximately ¥980 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 2012

Name	Organization	Title	Subject matter
Biochemistry			
Kunio Inoue	Graduate School of Science, Kobe University	Professor	Regulation of alternative splicing in response to environmental stress
Shoko Ueki	Institute of Plant Science and Resources Okayama University	Assistant Professor	Characterization of Heterosigma akashiwo, a harmful bloom-forming phytoplankton at molecular level: For utilization of the marine organism as a efficient bioreactor
Masayuki Endo	Institute for Integrated Cell-Material Sciences Kyoto University	Associate Professor	Direct observation of enzymatic reactions in the designed nanoscale space and investigation of the reaction mechanism
Fumitaka Kudo	Graduate School of Science and Engineering, Department of Chemistry, Tokyo Institute of Technology	Associate Professor	Biosynthetic studies and application of hybrid polyketide antibiotics produced by Actinomycetes
Hideaki Takano	Department of Applied Biological Science, College of Bioresource Sciences, Nihon University	Assistant Professor	Biochemical and structural study of a novel photoreceptor-type transcriptional regulator
Takanori Tanino	Graduate School of Engineering, Gunma University	Assistant Professor	Co-production of electricity and useful material (vinegar) by fermentation using microbial fuel cell technology
Shingo Nagano	Department of Chemistry and Biotechnology Graduate School of Engineering, Tottori University	Professor	Biosynthesis mechanism to produce diverse structures of indole alkaloids
Atsushi Matsuzawa	Graduate School of Pharmaceutical Sciences The University of Tokyo	Associate Professor	Elucidation of regulatory system sensing and responding to altered concentration of reactive oxygen species
Katsuhide Miyake	Research Institute for Bioresources and Biotechnology Ishikawa Prefectural University	Professor	Development of culture methods for yet-uncultivated microbes using quorum sensing system and biofilm formation
Keitaro Yoshimoto	Department of Life Sciences, Graduate School of Arts and Sciences, The University of Tokyo	Associate Professor	Three-dimensional co-culture system for adipose derived stem cells and its application for high performance drug screening
Organic chemistry			
Seiji Suga	Graduate School of Natural Science and Technology Okayama University	Professor	Development of Redox-Responsive Organocatalyst
Katsuhiko Tomooka	Institute for Materials Chemistry and Engineering Kyushu University	Professor	Synthesis and Application of Multi-functionalized Planar Chiral Cyclic Molecules
Takanori Fukushima	Chemical Resources Laboratory Tokyo Institute of Technology	Professor	Precision Design of Nanoscale Organic Heterojunctions for Optoelectronic Applications
Atsunori Mori	Graduate School of Engineering, Kobe University	Professor	Synthetic studies on well-defined oligothiophenes by CH coupling
Makoto Yamashita	Department of Applied Chemistry, Faculty of Science and Engineering, Chuo University	Associate Professor	Development of methodology for fabrication of organic devices using coal-pitch without organic synthetic chemistry
Biochemistry/Organic chemistry			
Takayoshi Suzuki	Professor Graduate School of Medical Science, Kyoto Prefectural University of Medicine	Professor	Explorative study on enzyme inhibitors by copper-mediated in situ click chemistry
Hidehito Mukai	Graduate School of Bio-Science Nagahama Institute of Bio-Science and Technology	Associate Professor	Identification of cryptides, functional cryptic peptides hidden in protein structures, and investigation of their novel signaling mechanisms
Kenichi Yamada	Faculty of Pharmaceutical Sciences Kyushu University	Associate Professor	Development of fluorescence detection method for in vivo lipid-derived radical and drug deployment

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 organiza-

tions 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—is bought at our employee dining halls, 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 45,736 as of February 2012.

As there is no employee dining hall in the Nagoya branch office, the facility participates in TFT



activities via vending machines. Purchasing beverages at special vending machines results in a contribution of percentage of the sale. The Osaka branch has also installed TFT vending machines, making more opportunities available for social contributions outside the employee dining hall.

Fostering Communication with the Local Community

The Nihonbashi Bridge 100th Anniversary was held on October 31, 2011 in observation of the 100th anniversary of the replacement of the stone double arch bridge originally built during the Edo Shogunate period. The local town council and long-time local businesses worked together to organize a major parade. Eleven employees from Nagase and Group companies participated in the parade in traditional *happi* costume together with the local Kobunacho town council. 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.



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.

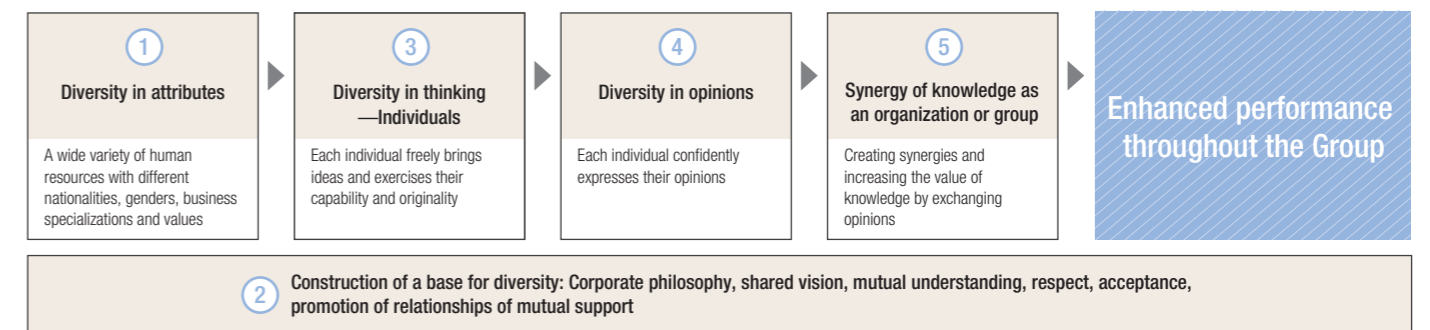
Recognizing the need for a long-term plan to achieve this goal, we launched the diversity committee in 2008, continuing to roll out initiatives since that time.

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 meetings on their ideas about diversity. Based on the survey and feedback, 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, holding diversity lectures, training new hires, and sponsoring management workshops ever since to further spread this concept within the Group.

Furthermore, the Company is requiring each department to establish a diversity action plan and to carry out such a plan at each site. In addition to these efforts, the Company engaged in the four initiatives listed here during fiscal 2011.

- 1 Every internal newsletter beginning fiscal 2011 includes a message from the department GM about diversity initiatives
- 2 Training programs for overseas national staff (31 employees participated in 2011)
- 3 Conducted a companywide diversity survey in November; analyzed results; created specific initiatives to implement over the next three years between 2012 and 2014.
- 4 Continued employment of female career-track employees (4 out of 16 new employees in fiscal 2010, 4 out of 28 employees in fiscal 2011 and 4 out of 31 employees in fiscal 2012) and facilitated discussions between superiors and individuals; sponsored mixers/meetings and other follow-up activities

Themes for Diversity Promotion

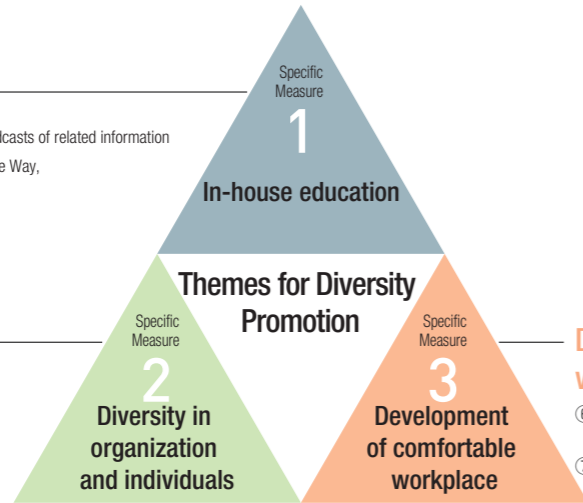
1. Sharing corporate philosophy and vision
2. Enhancement of transparency
3. Reinforcing relationships of friendly competition
4. Encouraging a breakthrough to the current situation
5. Eliminating a mindset that leads to gender bias
6. Creating a work environment in which employees feel free to utilize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

In-house education

- ① Periodic messages from top management • Broadcasts of related information
- ② Instill deeply into Management Philosophy, Nagase Way, Direction, Current Conditions

Diversity in organization and individuals

- ③ Improve global communications
- ④ Support for employees' career development
- ⑤ Continue employing non-Japanese, women for managerial positions; improve culture



Development of comfortable workplace

- ⑥ Instill awareness and activate initiatives for continuity and productivity improvements
- ⑦ Support employees who are dealing with home care or other challenges

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.

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. Subsequently, we introduced the “armo” program to assist employees taking child care leave and to help them eventually return to work. The Company adopted a no-overtime day (every second and third Wednesday of the month), and expanded eligibility for and awareness of childcare leave, allowing male employees to take advantage of childcare 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 “KURUMIN” next-generation accreditation mark.

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.

During fiscal 2011, the Company focused on caregiving support, became a corporate member of the NPO Seacare in June and provided a system for employees to perform caregiving if such becomes necessary. The Company sponsored seminars related to caregiving in October and the following March, which were attended by a large number of employees.

In March, the Company worked with the labor union to conduct a caregiving survey of all employees as one tool to help the Company provide caregiving support meeting employee needs.

Nagase will make continuing efforts to enhance work-life balance to achieve even more comfortable work environments.



1 Policy Regarding Development Human Resources

In addition to promoting a culture of “on-the-job training,” the Nagase Group has put into place a training system for employees through out their careers.

2 Cultivate a Corporate Culture of “On-the-Job Training”

Nagase uses on-the-job training to cultivate a culture of “on-the-job training,” including new-hire mentoring and overseas training. 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”

We have established a wide range of training programs that include training according to rank (mandatory), as well as training by job description/issues, special issues training, overseas training, training for overseas national staff, and more. 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

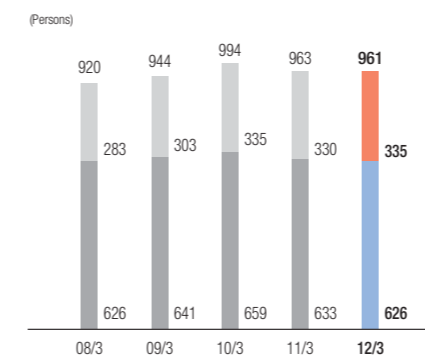
As an elective program within its overall training system that the Group is making the utmost effort in developing, the Next-Generation Leadership Program for Overseas National Staff is being systemized based on the Basic Management Program (BMP) for managerial candidates, the General Management Program (GMP) for general managerial candidates and the Nagase Management Program (NMP) for potential executives. In the latter, for example, five overseas local staff members were among the approximately 15 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 business leaders.

Number of Participants at Main Training Programs

Training Program	Fiscal 2011 Results
Rank-specific	486 persons
Elective	15 persons
Overseas	5 persons
The Business Leadership Program for Overseas National Staff	29 persons

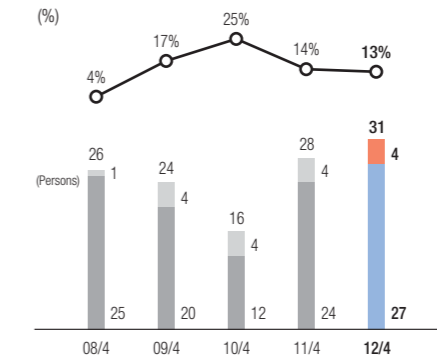
Number of Employees by Gender

■ Male ■ Female



Number of Career-track Employees Hired among New Graduates

■ Male ■ Female ○ Ratio of female employees



	Senior Manager	Leader	
Rank-specific training (required)		<ul style="list-style-type: none"> • Manager Training • Management-oriented business courses • Leadership training 	<ul style="list-style-type: none"> • Core/skill training • Follow-up programs for new employees • Core businesses courses • On-the-job training • Introductory training for new employees
Position-theme-specific training	<ul style="list-style-type: none"> • MDP (Management Development Program) • Executive training • Newly appointed manager training (understanding and performing evaluations) • Newly appointed manager training/local staff training (personnel management) • Goal-setting workshop for newly appointed managers 	<ul style="list-style-type: none"> • Pre-assignment training • Supervisor training • Goal-setting lectures and workshops for newly appointed senior managers 	
Career/Specialized/Partial Research Positions			
Elective training	<ul style="list-style-type: none"> • Harvard Business School AMP • INSEAD Management Acceleration Programme (Planned) • Foster Global Strategy and Leadership (Planned) • Executive (Globis) Management Program • Executive Management Strategy Seminar (Nomura) 	<ul style="list-style-type: none"> • Middle Management Program (Globis) • Inter-Industry Interchange • Asia Business School • Keio Business School Middle-Management Seminar • NMP • Nomura/Wharton Finance Seminar 	
Overseas training			<ul style="list-style-type: none"> • Chinese language overseas study courses • Business school overseas study courses • Business management courses • Business English short-term overseas study courses
Other			<ul style="list-style-type: none"> • Elective training (12 courses including English, computer skills, MBA and Chinese)
Managerial Positions			<ul style="list-style-type: none"> • Clerical position business skills training • New employee follow-up • Office systems training for new employees • Introductory training for new employees • Supervisor training
For overseas companies	<ul style="list-style-type: none"> • NMP 	<ul style="list-style-type: none"> • GMP (General Management Program) 	<ul style="list-style-type: none"> • BMP (Basic Management Program)

	(Millions of yen)						Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2010	2011	2012	2012
For the Fiscal Year:							
Net Sales	¥ 701,321	¥ 764,755	¥ 715,238	¥ 603,949	¥ 660,213	¥ 631,854	\$7,687,732
Domestic	410,789	432,813	394,874	360,382	389,379	366,369	4,457,597
Overseas	290,532	331,942	320,364	243,567	270,833	265,485	3,230,135
Gross Profit	73,639	80,506	71,527	65,415	73,008	71,628	871,493
Operating Income	21,669	23,063	12,522	13,128	18,732	13,427	163,369
Income before Income Taxes and Minority Interest	23,095	20,264	11,183	13,534	20,918	16,536	201,204
Net Income	13,567	10,005	5,808	7,537	12,823	8,570	104,272
As of the Fiscal Year-End:							
Total Assets	¥ 422,859	¥ 419,869	¥ 340,968	¥ 368,088	¥ 375,336	¥ 450,842	\$5,485,364
Net Assets	211,672	208,377	191,931	202,753	209,316	212,744	2,588,453
Interest-Bearing Debt	20,491	33,342	31,340	21,886	27,125	88,385	1,075,380
Share Price (Yen)	1,485	1,018	761	1,169	990	1,024	12.46
Market Value	205,536	140,899	105,328	161,799	137,024	141,730	1,724,419
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	138,408	138,408	138,408	138,408	138,408	—
Number of Shareholders	6,653	6,324	5,801	5,446	5,136	6,124	—
Number of Employees	3,865	4,335	4,506	4,469	4,693	5,545	—
	(Yen)						U.S. Dollars (Note 1)
Per Share Data:							
Net Income	¥ 105.84	¥ 77.86	¥ 45.17	¥ 58.64	¥ 99.76	¥ 66.69	\$ 0.81
Net Assets	1,597.27	1,559.97	1,435.88	1,519.61	1,568.04	1,592.87	19.38
Cash Dividends	18.00	17.00	16.00	16.00	22.00	24.00	0.29
Ratios:							
Operating Margin (Operating Income / Net Sales) (%)	3.1	3.0	1.8	2.2	2.8	2.1	—
Ratio of Income before Income Taxes and Minority Interests to Net Sales (%)	3.3	2.6	1.6	2.2	3.2	2.6	—
Return on Sales (ROS) (%)	1.9	1.3	0.8	1.2	1.9	1.4	—
Total Assets Turnover (Times)	1.7	1.8	1.9	1.7	1.8	1.5	—
Return on Assets (ROA) (%)	3.3	2.4	1.5	2.1	3.4	2.1	—
Return on Equity (ROE) (%)	6.8	4.9	3.0	4.0	6.5	4.2	—
Shareholders' Equity Ratio (%)	48.5	47.8	54.1	53.1	53.7	45.4	—
Debt to Equity Ratio (Times)	0.10	0.17	0.17	0.11	0.13	0.43	—
Current Ratio (%)	164.7	168.3	197.3	195.3	200.2	155.4	—
Interest Coverage Ratio (Times) (Note 2)	26.9	23.2	13.5	23.2	35.4	21.26	—

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥82.19=U.S. \$1.00, the approximate rate of exchange prevailing on March 31, 2012.
2. Interest coverage ratio is calculated as (operating profit + interest income + dividend income)/interest expense.

Business Lines and Scope of Consolidation

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 105 related companies, consisting of 77 subsidiaries and 28 affiliates. The scope of consolidation includes 55 subsidiaries as well as 11 affiliates, which are accounted for by the equity method.

During fiscal 2011, Nagase converted Hayashibara Co., Ltd., Nagase Filter Co., Ltd. and five other companies into consolidated subsidiaries due to acquisition or increased significance. In addition, Nagase OG Colors & Chemicals Co., Ltd. was removed from consolidation, being accounted for under the equity method this fiscal year. This change accompanies the sale of Nagase OG Colors & Chemicals shares owned by Nagase & Co.

During fiscal 2011 the Nagase Group removed 22 companies from consolidation, including Nagase Tool Matex Co., Ltd. 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

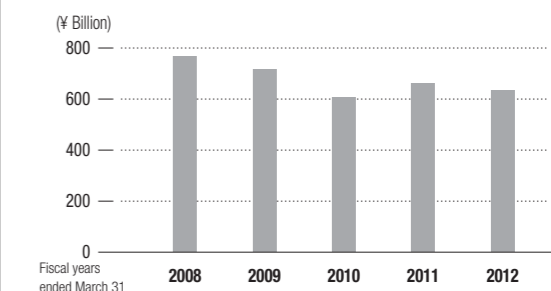
The financial crisis in Europe came just as Japan was beginning to recover from the effects of the March 11 earthquake and tsunami. This economic stagnation in Europe, combined with supply chain difficulties due to the floods in Thailand and the historic highs in the valuation of the yen all combined to exert downward pressure on the Japanese economy during the fiscal year under review.

These conditions drove international and domestic revenues lower, with consolidated net sales of ¥631.85 billion, down ¥28.35 billion (4.3%) year on year.

Domestically, sales in our Chemicals segment decreased due to weaker performance in functional dyes for displays-related products, as well as in precision abrasives for hard disk drives and semiconductors applications. In addition, sales for chemicals used in the production of TV LCD panels and semiconductors was likewise lower, compounded by the impact of our pullout from the TV LCD panel component processing business. As a result, net sales for the fiscal year in our Electronics segment amounted to ¥366.36 billion, a ¥23.0 billion year-on-year decrease (5.9%).

Overseas, net sales were down ¥5.34 billion (2%) compared to the prior fiscal year. This decrease was mainly caused by lower sales in our Plastics segment in Southeast and Northeast Asia due to customer operations interruptions caused by the flooding in Thailand, as well as lower shipment volume owing to concerns about the financial situation in Europe.

Net Sales

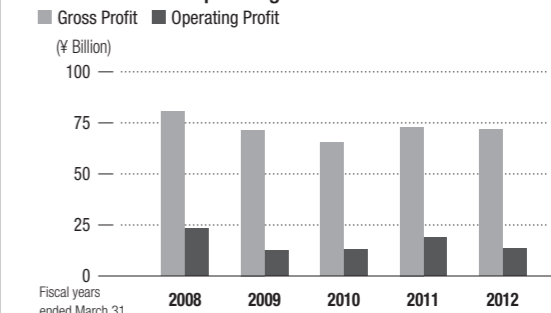


Gross Profit and Net Income

While gross profit in our Electronics segment and Life Sciences segment increased thanks to strong performance in our LCD display-related business and the consolidation of Hayashibara, lower revenues led to decreased profits in our Chemicals segment and Plastics segment. Overall, gross profit was down ¥1.38 billion (1.9%) year on year, amounting to ¥71.63 billion. On this basis, the ratio of gross profit to net sales improved by 0.2 of a percentage point to 11.3%.

Operating profit was down ¥5.31 billion (28.3%) year on year, coming in at ¥13.43 billion. While we recorded gains in our Electronics segment, other segments reported lower year-on-year figures. In addition, we recorded higher comparative personnel expense (including actuarial losses), depreciation and amortization, and other selling expenses and general and administrative expenses. As a result, operating margin was down 0.7 points to 2.1%.

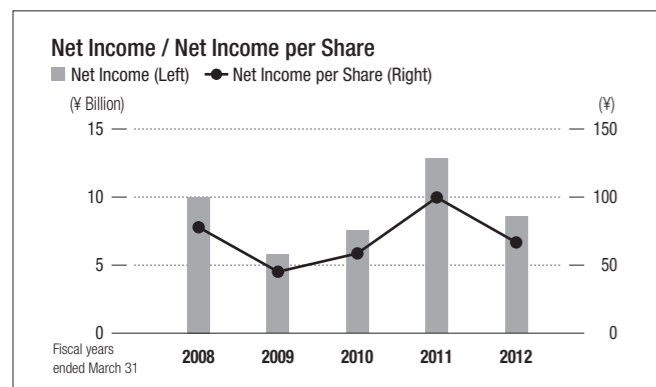
Gross Profit and Operating Profit



We recorded ordinary income in the amount of ¥15.69 billion, representing a ¥4.93 billion (23.9%) year-on-year decrease. The ordinary profit ratio was down 0.6 points to 2.5%.

Net income before income taxes and minority interest amounted to ¥16.53 billion, which was a ¥4.38 billion (20.9%) decline year on year. Ratio of Income before income taxes and minority interests to Net sales (%) was down 0.6 points compared to the prior fiscal year at 2.6%.

As a result of these factors, Nagase recorded ¥8.57 billion in net income, representing a ¥4.25 billion (33.2%) year-on-year decrease. Return on sales (ROS) (%) was down 0.5 points to 1.4%. Net income per share decreased from ¥99.76 in the prior fiscal year to ¥66.69 for the current fiscal year.



Results by Business Segment

Chemicals

Fiscal years ended March 31	2011	2012
Net Sales	270.29	251.94
Operating Income	9.09	7.15
Total Assets	113.53	118.17
Depreciation and Amortization	0.46	0.62
Amortization of Goodwill	0.07	0.01
Goodwill	—	—
Amount Invested in Equity Method Affiliates	0.09	0.55
Amount of Increase in Tangible and Intangible Fixed Assets	0.39	1.10

Despite growth in net sales throughout Southeast Asia, Europe, and America in our Chemicals segment, we experienced lower sales in Japan and Northeast Asia, leading to an overall year-on-year decline in this segment. As a result, net sales were ¥18.35 billion (6.8%) down, amounting to ¥251.94 billion. We recorded ¥7.15 billion in operating profit for the segment, representing a ¥1.93 billion (21.3%) year-on-year decrease.

Sales of dyes/additives, information printing-related materials, dyestuffs/fiber processing agents for the fiber processing industry in our colors and imaging business segment were lower, while sales were significantly lower for functional dyes used in display production. As a result, we experienced lower overall sales for this business segment.

In our Functional Chemicals business, we saw lower sales for plastic materials and additives to Asia, as well as decreases in urethane materials sales due to first-half reductions in automotive production. Meanwhile, we experienced growth in sales for coating raw materials in Japan. As a result, net sales for the segment overall were on level with the prior fiscal year.

In our specialty chemicals business, we saw sales growth in surfactants, raw materials for industrial oil solutions, and fluorochemicals. At the same time, sales of organic-related products declined, while the impact of the March 11 earthquake and flooding in Thailand resulted in significantly lower sales of precision abrasive materials for the hard disk drive and semiconductor industries. In addition, weak overall sales out of our Nagase ChemteX domestic manufacturing subsidiary compounded the challenges in this segment, leading to lower overall sales in specialty chemicals.

Plastics

Fiscal years ended March 31	2011	2012
Net Sales	222.10	219.20
Operating Income	4.76	3.07
Total Assets	100.26	107.58
Depreciation and Amortization	0.58	0.75
Amortization of Goodwill	—	—
Goodwill	—	—
Amount Invested in Equity Method Affiliates	0.78	0.73
Amount of Increase in Tangible and Intangible Fixed Assets	1.01	1.72

In our Plastics segment, we experienced an increase in sales to Europe, the United States, and Japan. Despite these gains, sales to Southeast Asia fell year on year, leading to an overall decline in segment performance. As a result, net sales amounted to ¥219.2 billion, representing a ¥2.89 billion (1.3%) decrease. Segment operating profit amounted to ¥3.07 billion, which was a ¥1.69 billion (35.6%) year-on-year decrease.

Our business related to office equipment and appliances for our manufacturing firms in Japan saw lower sales year on year; however, sales as a whole for the country experienced strong performance. Meanwhile, concerns about the financial situation in Europe and the flooding in Thailand caused lower shipments of resin raw materials. Injection molding equipment shipments for LCDs in China experienced significantly lower performance, driving sales lower overall for the segment.

Our automotive-related business in Japan slowed down during the first half of the year in the wake of the March 11 earthquake, but the market has experienced a healthy recovery during the second half. Overseas, sales grew in Northeast Asia, Southeast Asia, and North America, despite the challenges with the floods in Thailand. As a result, sales for the segment as a whole grew year on year.

In our 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. We also saw significantly lower sales for precision inspection equipment related to LCD liquid crystal polarizer film, which contributed to an overall decline in revenues.

Electronics

Fiscal years ended March 31	2011	2012
Net Sales	116.63	110.51
Operating Income	5.82	6.01
Total Assets	53.89	58.02
Depreciation and Amortization	2.69	2.37
Amortization of Goodwill	0.10	0.02
Goodwill	—	1.88
Amount Invested in Equity Method Affiliates	0.07	0.14
Amount of Increase in Tangible and Intangible fixed Assets	2.16	4.07

While sales of electronics increased in Northeast Asia and North America, sales trended lower in Japan, Southeast Asia, and Europe, leading to lower year-on-year sales overall. Consequently, net sales amounted to ¥110.51 billion, which was a ¥6.12 billion (5.2%) decrease compared to the prior fiscal year. On the other hand, the Company recorded gains in operating profit, up ¥180 million (3.2%) to ¥6.01 billion.

In our electronic chemicals business, formulated epoxy resins performed well, owing to demand in the heavy electrical equipment and mobile phone—mainly smartphone—markets. Meanwhile, the March 11 earthquake and production adjustments among our customers led to lower sales of chemicals for TV LCD panels and chemicals for production of semiconductor-related products, driving sales lower overall for this business.

We experienced strong sales of optical film in our electronic materials business. In addition, sales of products for touch panels, smartphones, and LED lighting were robust. However, our withdrawal from the processing business for LCD panel-related components resulted in lower sales overall for this business.

Life Sciences

Fiscal years ended March 31	2011	2012
Net Sales	50.24	49.17
Operating Income	0.95	0.71
Total Assets	30.13	114.19
Depreciation and Amortization	0.65	0.81
Amortization of Goodwill	—	0.12
Goodwill	—	30.19
Amount Invested in Equity Method Affiliates	1.53	1.59
Amount of Increase in Tangible and Intangible Fixed Assets	0.26	1.43

In the Life Sciences segment, we saw sales nearly level with the prior fiscal year. However, sales trended lower in Europe and Southeast Asia, driving segment performance lower year on year. Further, Hayashibara (a new consolidated subsidiary beginning this fiscal year) contributed only March earnings (net sales of ¥2.07 billion) to the financial consolidation for the period under review. As a result, net sales amounted to ¥49.17 billion, which was a ¥1.07 billion (2.1%) decrease year on year. We recorded operating profit of ¥710 million in this segment, a ¥240 million (25.7%) year-on-year decrease.

In our fine chemicals business, we saw strong performance of liquid medicines, including injection medicines, related to pharmaceutical manufacturing. However pharmaceutical raw materials, intermediates, daily commodities, and agricultural chemical-related business all trended lower in terms of revenues. Likewise, lower sales of Nagase ChemteX Corp. products resulted in lower performance in enzymes and fermentation products, leading to lower sales overall for the business.

The beauty care products business, which handles cosmetics and health foods, saw favorable performance in a new cosmetics product launched during the fiscal second quarter. However, sales were lower for health foods and make-up related products for which we began sales last fiscal year. As a result, we recorded lower year-on-year sales for this business.

Other

Net sales in this segment amounted to ¥1.01 billion, representing an increase of ¥80 million (9.1%) year on year. The Company recorded other segment operating profit of ¥140 million, a ¥120 million (915.8%) year-on-year gain.

Financial Condition

(Consolidated Statement of Cash Flows)

As of the end of the fiscal year under review, cash and cash equivalents amounted to ¥28.51 billion, an ¥18.68 billion decrease compared to the end of the prior fiscal year.

■ Cash Flows from Operating Activities

Cash flows from operating activities amounted to ¥5.69 billion. This increase was mainly due to net income before income taxes and minority interest of ¥16.53 billion, and an add-back of ¥7.27 billion in non-cash depreciation and amortization, offset by increases in working capital due to increased notes and accounts receivable and inventories, as well as cash outlays for income tax payments.

■ Cash Flows from Investing Activities

Cash flows used in investing activities amounted to ¥81.06 billion, mainly from investments in Hayashibara* and others.

■ Cash Flows from Financing Activities

Cash flows from financing activities amounted to ¥56.96 billion, mainly in acquisition of funds for use in investing and financing related to the Company's acquisition of Hayashibara and others.

* The entire ¥70 billion invested in Hayashibara was allocated to repayment of rehabilitation claims and security interests in connection with the company's corporate reorganization.

Cash Flow Summary

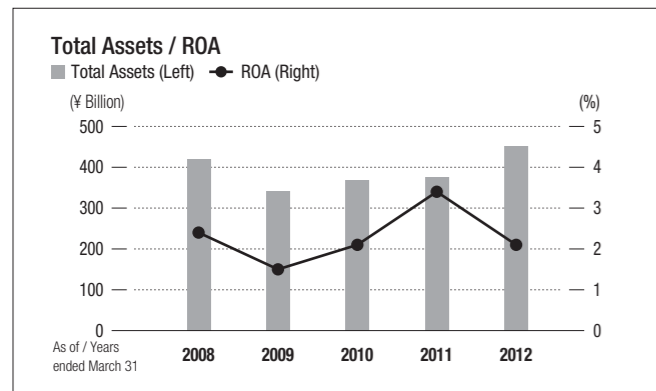
Fiscal years ended March 31	2008	2009	2010	2011	2012
Net Cash Provided by (Used in) Operating Activities	(2.58)	36.16	27.87	10.99	5.69
Net Cash Provided by (Used in) Investing Activities	(7.00)	(11.06)	(9.43)	(9.14)	(81.06)
Net Cash Provided by (Used in) Financing Activities	10.73	(5.54)	(11.75)	3.56	56.96

Consolidated Balance Sheets

Assets

Total assets as of the end of the fiscal year amounted to ¥450.84 billion, representing a ¥75.51 billion increase compared to the end of the prior fiscal year. Current assets increased by ¥4.97 billion compared to the end of the prior fiscal year, amounting to ¥282.28 billion. This increase was due to an increase in notes and accounts payable owing to the fact that the last day of the fiscal year was a banking holiday.

Non-current assets amounted to ¥168.56 billion, a ¥70.53 billion increase over the balance at the end of the prior fiscal year. This increase was mainly due to the increase in goodwill and other non-current assets associated with the acquisition of Hayashibara stock.



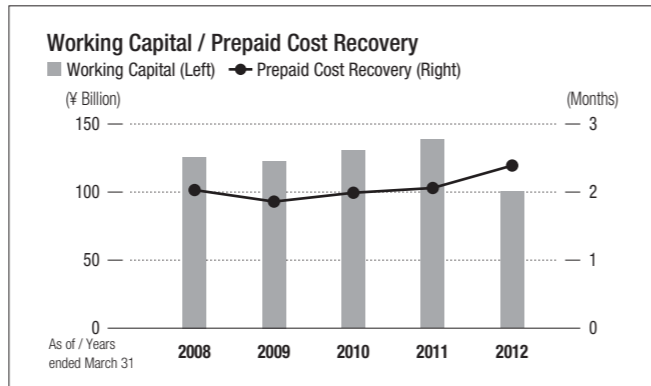
Liabilities

Total liabilities as of the end of the fiscal year amounted to ¥238.09 billion, an increase of ¥72.07 billion compared to the end of the prior fiscal year. This increase was mainly due to debt incurred by the Company to invest in and provide financing to Hayashibara.

Current liabilities amounted to ¥181.69 billion, a ¥43.17 billion increase compared to the prior fiscal year. This increase was mainly due to increased trade payables, short-term debt, and current portion of long-term debt.

Long-term liabilities increased by ¥28.91 billion year-on-year, amounting to ¥56.41 billion. This increase was mainly due to increased long-term debt and provision for accrued retirement benefits for employees.

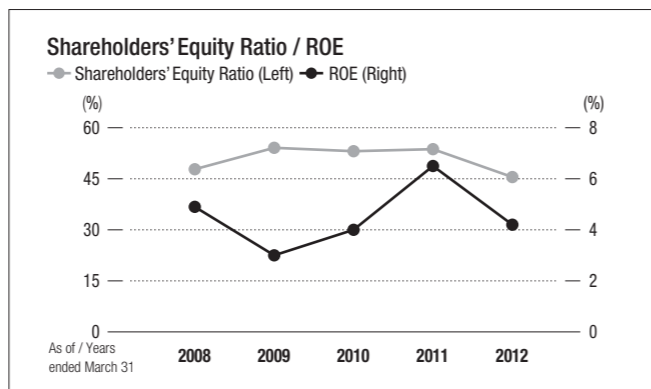
As a result, working capital decreased from ¥138.78 billion at the end of the prior fiscal year to ¥100.59 billion, with prepaid cost recovery falling by 0.33. The current ratio fell from 200.2% at the end of the prior fiscal year to 155.4%, a 44.8-point drop.



Net Assets

Despite a decrease due to translation adjustments caused by the high value of the Japanese yen, retained earnings increased with net income, resulting in net assets increasing by ¥212.74 billion, a ¥3.42 billion gain compared to the end of the prior fiscal year.

As a result, the shareholder's equity ratio fell 8.3 points to 45.4%.



Capital Investment

Capital investment during the fiscal period under review amounted to ¥12.09 billion, mainly stemming from investments in domestic manufacturing subsidiaries.

By segment, the Company made capital investments as described below:

In the Chemicals segment, the Company made capital investments of ¥1.0 billion to add facilities at domestic manufacturing subsidiaries.

The Company invested ¥1.67 billion in the Plastics segment for new production equipment to manufacture secondary battery modules at domestic manufacturing subsidiaries.

In the Electronics segment, a total of ¥4.02 billion in capital investments were made to add to LCD panel processing and semiconductor processing facilities among domestic manufacturing subsidiaries.

Lastly, the Company made capital investments of ¥1.39 billion in the Life Sciences segment to new manufacturing equipment related to enzyme products among domestic manufacturing subsidiaries.

Cash on hand and capital acquired from outside sources were used as funding for these capital investments.

Research and Development

To leverage the total capacity of the Group and create new business opportunities, the Nagase Group engages in research activities designed for marketing-driven development of new technologies and products, as well as to gather and share technological information.

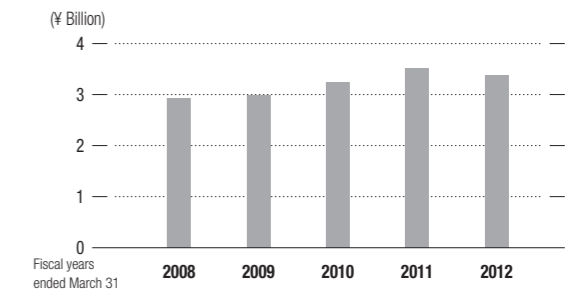
At present, the Nagase R&D Center pursues research focusing on technological solutions that we can bring to our customers. Major areas of research at the R&D Center include process development for pharmaceuticals and intermediates utilizing organic synthesis and biotech, development of medical equipment materials/nucleic acid-related technology, development of enzymes and enzyme products using microorganism technologies, and the development of cosmetics and health foods utilizing natural material exploration and pharmacological assessment technologies. Since fiscal 2008, we have worked in cooperation with Kobe University in a next-generation agri-industrial bio production project, moving closer to producing specific, practical results. In addition, we continue to work closely with our major subsidiary Nagase ChemteX Corp. across a wide range of projects to develop and manufacture new products. Our intellectual property includes chiral synthesis technologies for the production of non-natural amino acids, and development of new enzymes (exploration, manufacturing, application). As well, we have applied for numerous patents related to the invention of applications in the cosmetics and health foods fields, and we enjoy a highly positive reputation among our customers, who cite our technological development capacities. In this manner, the Nagase R&D Center contributes to development and revenue growth of the Nagase Life Sciences segment.

The Nagase Application Workshop (NAW) has been in operation in Amagasaki City (Hyogo Prefecture) for nearly five years. Here, we have expert staff, processing facilities, and assessment equipment working in the plastics, coating materials, and fiber processing fields. NAW works closely with customers and suppliers in a number of development and technical support projects initiated through our sales department, contributing technological solutions to issues with which our customers are struggling.

Nagase ChemteX Corp. focuses on electronics, life science, automotive, and environment/energy fields. ChemteX staff, in a cross-organization research and development division, and product development departments in each Group business work together to develop new products, leveraging proprietary Nagase synthesis, compounding, and bio-technologies, as well as assessment technologies—all developed over many years of technological experience. In particular, Nagase ChemteX is actively engaged in development for solar cells, hybrid vehicles, wind power, recycling, weight reduction, and other environment/energy-related fields, producing high-function, high-value-added products and solutions designed to meet market demands for lighter weight, enhanced durability, and recyclability.

The Nagase Group invested a total of ¥3.37 billion in research and development expense for the fiscal year under review.

Research and Development Expenses



Outlook for the Year Ending March 31, 2013

We believe that the economic environment throughout fiscal 2012 (ending March 2013) will continue to be one of growth for the emerging regional economies, while ongoing financial concerns in Europe and other factors will contribute to an uncertain future in Europe and the United States. Meanwhile, despite high oil costs and a strong yen, not to mention concerns about the direction of overseas business conditions, electricity supply issues during the summer months, and other numerous issues, certain sectors of the Japanese economy are showing improving strength. This leads us to conclude that market conditions in Japan will avoid a double-dip decline.

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 ¥78=U.S.\$1.00.

(Announced on May 8, 2012)		(¥ Billion)			
	Net Sales	Operating Profit	Ordinary Income	Net Income	
Year ending March 31, 2013 (Projected)	700.0	19.5	20.5	15.5	
Year ended March 31, 2012 (Actual)	631.85	13.42	15.69	8.57	
Increase (Decrease)	+10.8%	+45.2%	+30.7%	+80.9%	

Profit Sharing Policy

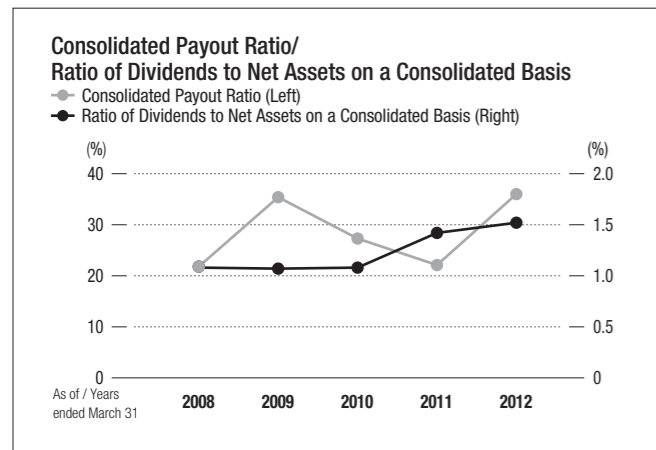
■ Dividend Policy

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.

In addition, the Company has determined in its articles of incorporation allowances for interim dividend payments according to the provisions of article 454 paragraph 5 of the Companies Act. Accordingly, the Company's board of directors has resolved to adopt a dividend policy calling for two dividend payments every year, one at interim and one at the end of the fiscal year, subject to approval by the general meeting of shareholders.

Based on this policy, Nagase plans to pay a year-end dividend of ¥12.00 per share for the fiscal year ended March 31, 2012. Therefore, together with the interim dividend, the Company will pay an annual dividend of ¥24.00 per share. The consolidated payout ratio decreased to 22.1% from 36.0% for the previous fiscal year.

For the fiscal year ending March 31, 2013, Nagase plans to pay an annual per-share dividend of ¥26.00, consisting of an interim and year-end dividend of ¥13.00 each.



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 May 8, 2012. 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 Functional Materials, Processing Materials, Electronics, Automotive & Energy, Life & Healthcare, and Other. 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 Functional Materials, Processing Materials, Electronics, Automotive & Energy, and Life & Healthcare, conducting business in the dyes/pigments, coating raw material/ink, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical industries from a base in. 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 relies heavily on petrochemicals manufactured from naphtha in our Functional Materials, Processing Materials, and Automotive & Energy segments. Petrochemical product 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 Company revenues and profits.

In addition, the Nagase Group uses raw materials derived from grains in the production of certain products. Market prices for grains are subject to wide volatility. To the extent that cost increases cannot be passed on to the consumer in prices adjustments, the Company may experience significant impact on profits.

(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 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.

(11) Risk of Natural Disasters

The Nagase Group companies have each created a business continuity plan in the event of a natural disaster, adopting a presence verification system, drafting a disaster-response manual, and implementing measures to respond to earthquakes, disaster prevention training, and other preparations in the event of a natural disaster. However as the Nagase Group conducts business across a wide range of nations and regions, large-scale disasters, H1N1 flu and other infectious diseases, or other events could potentially disrupt the Company's supply chain, slowing Company sales activities or interrupting production due to damage to plant facilities. Such events could result in significant opportunity loss, or have other adverse effects on Group management performance and/or financial conditions.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2012 and 2011)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Current assets:			
Cash and time deposits (Notes 16 and 22)	¥ 29,184	¥ 47,202	\$ 355,080
Notes and accounts receivable (Notes 16 and 24)	197,702	186,113	2,405,426
Inventories (Note 4)	45,260	36,715	550,675
Deferred tax assets (Note 11)	4,067	2,582	49,483
Other current assets	7,299	5,881	88,806
Less allowance for doubtful accounts	(1,235)	(1,191)	(15,026)
Total current assets	282,280	277,304	3,434,481
Property, plant and equipment, at cost (Note 5):			
Land (Note 8)	18,523	11,747	225,368
Buildings and structures	45,398	40,258	552,354
Machinery, equipment and vehicles	71,588	45,762	871,006
Leased assets	566	507	6,886
Construction in progress	4,120	535	50,128
	140,198	98,811	1,705,779
Less accumulated depreciation	(83,470)	(58,894)	(1,015,574)
Property, plant and equipment, net (Note 23)	56,727	39,916	690,193
Investments and other assets:			
Investments in securities (Notes 6, 8 and 16):			
Unconsolidated subsidiaries and affiliates (Note 23)	7,307	7,403	88,904
Other	41,707	43,322	507,446
	49,014	50,726	596,350
Long-term loans receivable	1,122	599	13,651
Goodwill (Notes 14 and 23)	32,079	1	390,303
Technology-based assets (Note 14)	21,669	—	263,645
Deferred tax assets (Note 11)	896	1,046	10,902
Other assets	7,317	6,334	89,025
Less allowance for doubtful accounts	(266)	(592)	(3,236)
Total investments and other assets	111,833	58,115	1,360,664
Total assets (Note 23)	¥450,842	¥375,336	\$5,485,363

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Current liabilities:			
Notes and accounts payable (Notes 16 and 24)	¥109,163	¥101,679	\$1,328,179
Short-term loans (Notes 7, 16 and 25(a))	38,633	15,525	470,045
Current portion of long-term loans and finance lease obligations (Notes 7 and 16)	11,613	746	141,295
Accrued income taxes (Note 11)	3,170	3,947	38,569
Deferred tax liabilities (Note 11)	50	38	608
Accrued expenses	3,605	3,339	43,862
Accrued bonuses for employees	3,632	3,342	44,190
Accrued bonuses for directors	198	212	2,409
Other current liabilities	11,622	9,685	141,404
Total current liabilities	181,689	138,517	2,210,597
Long-term liabilities:			
Long-term loans and finance lease obligations (Notes 7 and 16)	38,463	10,854	467,977
Deferred tax liabilities (Note 11)	7,251	8,810	88,222
Accrued retirement benefits for employees (Note 10)	10,032	7,295	122,059
Other liabilities	660	542	8,030
Total long-term liabilities	56,407	27,502	686,300
Contingent liabilities (Note 20)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized—346,980,000 shares			
Issued —138,408,285 shares in 2012 and 2011	9,699	9,699	118,007
Capital surplus	10,041	10,041	122,168
Retained earnings (Note 25(b))	186,907	181,665	2,274,084
Less treasury stock, at cost (Note 13) – 9,893,787 shares in 2012 and 9,893,808 shares in 2011	(5,460)	(5,460)	(66,431)
Total shareholders' equity	201,188	195,946	2,447,840
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities	12,731	13,188	154,897
Deferred loss on hedges	(21)	(8)	(256)
Translation adjustments	(9,191)	(7,610)	(111,826)
Total accumulated other comprehensive income	3,518	5,570	42,803
Stock acquisition rights	110	235	1,338
Minority interests	7,927	7,564	96,447
Total net assets	212,744	209,316	2,588,441
Total liabilities and net assets	¥450,842	¥375,336	\$5,485,363

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales (Note 23)	¥631,854	¥660,213	\$7,687,724
Cost of sales (Note 18)	560,226	587,204	6,816,231
Gross profit	71,628	73,008	871,493
Selling, general and administrative expenses (Note 18)	58,200	54,276	708,115
Operating income (Note 23)	13,427	18,732	163,365
Other income (expenses):			
Interest and dividend income	1,286	1,381	15,647
Interest expense	(692)	(568)	(8,420)
Equity in earnings of affiliates	368	300	4,477
Gain on sales of investments in securities	1,759	1,190	21,402
Reversal of allowance for doubtful accounts	—	282	—
Loss on devaluation of investments in securities	(383)	(260)	(4,660)
Gain on sales of property, plant and equipment	16	526	195
Loss on disposal of property, plant and equipment	(172)	(217)	(2,093)
Provision of allowance for doubtful accounts for subsidiaries and an affiliate	—	(699)	—
Gain on reversal of stock acquisition rights	124	—	1,509
Gain on recognition of negative goodwill (Note 23)	—	20	—
Loss on step acquisitions	—	(341)	—
Loss on impairment of fixed assets (Notes 5 and 23)	(455)	(50)	(5,536)
Other, net	1,258	620	15,306
Income before income taxes and minority interests	16,536	20,918	201,192
Income taxes (Note 11):			
Current	6,980	7,005	84,925
Deferred	118	280	1,436
Income before minority interests	9,438	13,632	114,831
Minority interests	867	809	10,549
Net income	¥ 8,570	¥ 12,823	\$1,042,711

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Year ended March 31, 2012 and 2011)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥ 9,438	¥13,632	\$114,831
Other comprehensive loss (Note 9):			
Net unrealized holding loss on securities	(456)	(1,780)	(5,548)
Deferred loss on hedges	(13)	(18)	(158)
Translation adjustments	(1,626)	(2,531)	(19,783)
Share of other comprehensive loss of affiliates accounted for by the equity method	(58)	(110)	(706)
	(2,155)	(4,441)	(26,220)
Comprehensive income	¥ 7,282	¥ 9,191	\$ 88,600
Comprehensive income attributable to:			
Shareholders of the Company	¥ 6,518	¥ 8,648	\$ 79,304
Minority interests	764	542	9,296

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2012 and 2011)

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2010	¥9,699	¥10,040	¥171,286	¥(5,427)	¥185,599	¥14,961	¥ 8	¥(5,225)	¥ 9,744	¥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)	(4,174)	—	390	(3,783)
Balance at April 1, 2011	¥9,699	¥10,041	¥181,665	¥(5,460)	¥195,946	¥13,188	¥(8)	¥(7,610)	¥ 5,570	¥235	¥7,564	¥209,316
Net income for the year	—	—	8,570	—	8,570	—	—	—	—	—	—	8,570
Gain on sales of treasury stock	—	0	—	—	0	—	—	—	—	—	—	0
Cash dividends	—	—	(3,212)	—	(3,212)	—	—	—	—	—	—	(3,212)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(118)	—	(118)	—	—	—	—	—	—	(118)
Adjustments due to change in scope of application of equity method	—	—	3	—	3	—	—	—	—	—	—	3
Other	—	—	—	—	—	(457)	(13)	(1,580)	(2,051)	(124)	363	(1,813)
Balance at March 31, 2012	¥9,699	¥10,041	¥186,907	¥(5,460)	¥201,188	¥12,731	¥(21)	¥(9,191)	¥ 3,518	¥110	¥7,927	¥212,744

	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 on hedges	Translation adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2011	\$118,007	\$ 122,168	\$2,210,305	\$(66,431)	\$2,384,061	\$160,457	\$ (97)	\$(92,590)	\$ 67,770	\$2,859	\$92,031	\$2,546,733
Net income for the year	—	—	104,271	—	104,271	—	—	—	—	—	—	104,271
Gain on sales of treasury stock	—	0	—	—	0	—	—	—	—	—	—	0
Cash dividends	—	—	(39,080)	—	(39,080)	—	—	—	—	—	—	(39,080)
Purchases of treasury stock	—	—	—	(0)	(0)	—	—	—	—	—	—	(0)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(1,436)	—	(1,436)	—	—	—	—	—	—	(1,436)
Adjustments due to change in scope of application of equity method	—	—	37	—	37	—	—	—	—	—	—	37
Other	—	—	—	—	—	(5,560)	(158)	(19,224)	(24,954)	(1,509)	4,417	(22,059)
Balance at March 31, 2012	\$118,007	\$ 122,168	\$2,274,084	\$(66,431)	\$2,447,840	\$154,897	\$(256)	\$(111,826)	\$ 42,803	\$1,338	\$96,447	\$2,588,441

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating activities			
Income before income taxes and minority interests	¥ 16,536	¥ 20,918	\$ 201,192
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization other than goodwill	7,272	6,380	88,478
Amortization of goodwill	151	110	1,837
Loss on impairment of fixed assets	455	50	5,536
Provision for accrued retirement benefits for employees, net of payments	974	483	11,851
Interest and dividend income	(1,286)	(1,381)	(15,647)
Interest expense	692	568	8,420
Exchange gain, net	(9)	(298)	(110)
Gain on sales of property, plant and equipment, net	(11)	(504)	(134)
Gain on sales of investments in securities, net	(1,753)	(1,115)	(21,329)
Loss on devaluation of investments in securities	383	260	4,660
Changes in operating assets and liabilities:			
Notes and accounts receivable	(10,120)	(2,272)	(123,129)
Inventories	(7,417)	(6,472)	(90,242)
Notes and accounts payable	6,712	(4,273)	81,664
Other, net	111	2,539	1,351
Subtotal	12,689	14,994	154,386
Interest and dividends received	1,467	1,596	17,849
Interest paid	(637)	(563)	(7,750)
Income taxes paid	(7,829)	(5,029)	(95,255)
Net cash provided by operating activities	5,690	10,997	69,230
Investing activities			
Purchases of property, plant and equipment	(11,215)	(5,708)	(136,452)
Proceeds from sales of property, plant and equipment	46	574	560
Purchases of investments in securities	(914)	(1,588)	(11,121)
Proceeds from sales of investments in securities	2,151	2,082	26,171
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	537	—	6,534
Net disbursement due to the acquisition	(67,774)	(460)	(824,602)
Purchases of investments in capital	(686)	(168)	(8,347)
Increase in short-term loans receivable, net	(175)	(1,225)	(2,129)
Purchases of intangible fixed assets	(1,420)	(1,825)	(17,277)
Other, net	(1,615)	(827)	(19,650)
Net cash used in investing activities	(81,066)	(9,147)	(986,324)
Financing activities			
Increase in short-term loans, net	22,976	6,114	279,547
Proceeds from long-term loans	39,257	138	477,637
Repayments of long-term loans	(1,527)	(60)	(18,579)
Cash dividends paid	(3,212)	(2,313)	(39,080)
Cash dividends paid to minority shareholders	(401)	(152)	(4,879)
Other, net	(131)	(161)	(1,594)
Net cash provided by financing activities	56,961	3,564	693,041
Effect of exchange rate changes on cash and cash equivalents	(434)	(1,253)	(5,280)
Net (decrease) increase in cash and cash equivalents	(18,849)	4,161	(229,334)
Cash and cash equivalents at beginning of the year	47,202	42,807	574,303
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	165	204	2,008
Increase in cash and cash equivalents resulting from merger with an unconsolidated subsidiary	—	29	—
Cash and cash equivalents at end of the year (Note 22)	¥ 28,517	¥ 47,202	\$ 346,964

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.

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.

In addition, certain reclassifications of previously stated amounts have been made to conform the consolidated financial statements for the year ended March 31, 2011 to the 2012 presentation. Such reclassifications 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 ¥82.19 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2012. 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, 2012 and 2011 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

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 foreign currency forward 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 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 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.

(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) Intangible Assets (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.

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years.

(h) Goodwill

Goodwill is amortized over a period not exceeding 20 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 Accounts

The Company and its consolidated subsidiaries provide allowances for doubtful accounts 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 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

Accrued retirement benefits for employees are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

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.

(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 foreign currency forward 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 foreign currency forward 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 Costs

Research and development costs 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 25(b).)

3. CHANGES IN ACCOUNTING POLICIES

Accounting Standard for Accounting Changes and Error Corrections

Effective April 1, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting

Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and the "Guidance on "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009).

4. INVENTORIES

Inventories at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Merchandise and finished goods	¥41,087	¥34,033	\$499,903
Work in process	1,292	531	15,720
Raw materials and supplies	2,879	2,150	35,029
Total	¥45,260	¥36,715	\$550,675

5. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2012 and 2011 were as follows:

Major use	Classification	Location	Millions of yen	Thousands of U.S. dollars
			2012	2012
Processing equipment for liquid crystal panel materials	Machinery and equipment	Kanto area, Shanghai	¥ 319	\$ 3,881
Parking facilities	Buildings and structures	Kinki area	82	998
Idle assets	Land	Kinki area	54	657
Total			¥ 455	\$ 5,536

Major use	Classification	Location	Millions of yen
			2011
Idle assets	Land	Kinki area	¥ 50

The Company and its consolidated subsidiaries group fixed assets for business use principally based on its business management segment. They also group fixed assets to be disposed of and idle assets at each asset individually as smallest cash-generating units.

For the year ended March 31, 2012, accompanied with the withdrawal from the business, the carrying value of processing equipment for liquid crystal panel materials were reduced to their recoverable amount and a loss on impairment was recognized.

Accompanied with the closure of a part of parking facilities operated by the Company's consolidated subsidiary, the carrying value of parking facilities were reduced to their recoverable amount and a loss on impairment was recognized.

The recoverable amounts were measured at net selling value. Net selling value for

assets to be disposed of was set at zero since it is difficult to sell them or use them for any purpose other than their original purpose.

Due to decreasing land prices, the carrying value of the idle assets were reduced to their recoverable amount and a loss on impairment was recognized. The recoverable amounts were calculated based on the appraisal value published by the tax authorities.

For the year ended March 31, 2011, due to decreasing land prices, the carrying value of the idle assets were reduced to their recoverable amount and a loss on impairment was recognized. The recoverable amounts were calculated based on the appraisal value published by the tax authorities.

6. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen				Millions of yen			
	2012		2011		2012		2011	
	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	¥18,105	¥20,194	¥(705)	¥37,594	¥18,413	¥22,478	¥(648)	¥40,243

	Thousands of U.S. dollars			
	2012		2011	
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	\$220,282	\$245,699	\$(8,578)	\$457,404

The Company and its consolidated subsidiaries recognized impairment losses on valuation of marketable securities of ¥251 million (\$3,054 thousand) and ¥15 million for the years ended March 31, 2012 and 2011, respectively.

(b) Securities classified as other securities for which market value was not determinable at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities	¥4,112	¥3,079	\$50,030
Total	¥4,112	¥3,079	\$50,030

Please refer to Note 16.

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Proceeds from sales	¥2,127	¥2,070	\$25,879
Gain on sales	1,594	1,190	19,394
Loss on sales	5	18	61

7. SHORT-TERM LOANS, LONG-TERM LOANS AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2012 and 2011 principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 1.33% and 1.87% per annum, respectively.

Long-term loans and finance lease obligations at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unsecured loans from banks and insurance companies, payable in yen, U.S. dollar, euro and RMB, due through 2019, at rates from 0.44% to 6.75%	¥ 49,751	¥11,168	\$ 605,317
Lease obligations	325	430	3,954
	50,077	11,600	609,283
Less current portion	(11,613)	(746)	(141,295)
Total	¥ 38,463	¥10,854	\$ 467,977

The aggregate annual maturities of long-term loans and finance lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥11,613	\$141,925
2014	10,313	125,478
2015	6,144	74,754
2016	5,623	68,415
2017	6,219	75,666
2018 and thereafter	10,163	123,653
Total	¥50,077	\$609,283

8. PLEDGED ASSETS

At March 31, 2012, a consolidated subsidiary's assets pledged as collateral for its accounts payable were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥560	\$6,813
Investments in securities	66	803
Total	¥627	\$7,629

9. OTHER COMPREHENSIVE LOSS

Reclassification adjustments and tax effect allocated to each component of other comprehensive loss for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
Net unrealized holding loss on investments in securities:		
Amount arising during the year	¥ (1,399)	\$ (17,022)
Reclassification adjustments for gains and losses realized in the statement of income	(910)	(11,072)
Amount before tax effect	(2,309)	(28,093)
Tax effect	1,852	22,533
Net unrealized holding loss on investments in securities	(456)	(5,548)
Deferred loss on hedges:		
Amount arising during the year	(21)	(256)
Tax effect	7	85
Deferred loss on hedges	(13)	(158)
Translation adjustments:		
Amount arising during the year	(1,626)	(19,783)
Share of other comprehensive loss of affiliates accounted for by the equity method:		
Amount arising during the year	(58)	(706)
Other comprehensive loss, net	¥ (2,155)	\$ (26,220)

10. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. The Company has established an employees' retirement benefit trust for the payment of retirement benefits. Certain overseas consolidated subsidiaries also have defined benefit pension plans. Also, the Company and certain domestic consolidated subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the

Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

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, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥(25,049)	¥(20,577)	\$ (304,769)
Plan assets at fair value	14,294	12,598	173,914
Unfunded retirement benefit obligation	(10,755)	(7,979)	(130,855)
Unrecognized actuarial loss	722	683	8,785
Accrued retirement benefits recognized in the consolidated balance sheets	¥(10,032)	¥ (7,295)	\$ (122,059)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2012 and 2011 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥1,047	¥ 940	\$12,739
Interest cost	444	435	5,402
Expected return on plan assets	(292)	(291)	(3,553)
Amortization of actuarial loss (gain)	674	(79)	8,201
Contributions to defined contribution pension plans	156	136	1,898
Retirement benefit expenses	¥2,030	¥1,142	\$24,699

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

11. 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, 2012 and 2011.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 differ from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	40.7%	40.7%
Effect of:		
Expenses not deductible for income tax purposes	3.0	2.4
Dividends and other income deductible for income tax purposes	(13.5)	(4.5)
Net adjustment resulting from elimination of dividend income upon consolidation	13.9	5.3
Different tax rates applied at overseas subsidiaries	(7.5)	(6.1)
Effect of changes in corporate tax rates	1.5	—
Tax credit	(0.6)	(1.4)
Amortization of goodwill	0.4	0.2
Valuation allowance	4.4	(5.5)
Other, net	0.6	3.7
Effective tax rates	42.9%	34.8%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Accrued bonuses for employees	¥ 1,314	¥ 1,289	\$ 15,987
Allowance for doubtful accounts	590	646	7,178
Unrealized gain on inventories	447	403	5,439
Accrued enterprise taxes	256	314	3,115
Tax loss carryforwards	19,674	843	239,372
Accrued retirement benefits for employees	3,648	3,119	44,385
Investments in securities	1,963	2,232	23,884
Other	1,968	1,883	23,945
Gross deferred tax assets	29,864	10,733	363,353
Valuation allowance	(14,512)	(3,777)	(176,566)
Total deferred tax assets	¥15,352	¥ 6,955	\$ 186,787
Deferred tax liabilities:			
Technology-based assets	¥ (7,778)	¥ —	\$ (94,634)
Deferred capital gain on property	(1,113)	(1,297)	(13,542)
Reserve for special depreciation	(1,086)	(1,460)	(13,213)
Undistributed earnings of overseas subsidiaries	(531)	(394)	(6,461)
Revaluation of land	(357)	(382)	(4,344)
Net unrealized holding gain on securities	(6,697)	(8,555)	(81,482)
Other	(124)	(83)	(1,509)
Total deferred tax liabilities	(17,689)	(12,175)	(215,221)
Net deferred tax liabilities	¥ (2,337)	¥ (5,219)	\$ (28,434)

The "Reform bill for partial revision of income tax law, etc. in response to the changing economic structure" and the "Special measures for securing funds to realize the restoration of the damages following the Great East Japan Earthquake" were promulgated on December 2, 2011, and statutory tax rates will be changed for fiscal years beginning on or after April 1, 2012.

The Company and its domestic subsidiaries changed the statutory tax rate used to measure deferred tax assets and liabilities from 40.7% to 38.0% for temporary differences expected to be settled or realized in the fiscal years from April 1, 2012 to March 31, 2015, and from 40.7% to 35.6% for temporary differences expected to be settled

or realized in fiscal years beginning April 1, 2015 and thereafter.

As a result of this change, the net amount of deferred tax liabilities (net of deferred tax assets) decreased by ¥692 million (\$8,420 thousand), income taxes-deferred recognized increased by ¥255 million (\$3,103 thousand) and net unrealized holding gain on securities increased by ¥948 million (\$11,534 thousand) as of and for the year ended March 31, 2012.

12. 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, 2012 and

2011 amounted to ¥2,424 million (\$29,493 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, 2012 and 2011 are summarized as follows:

	Number of shares			
	2012			
	April 1, 2011	Increase	Decrease	March 31, 2012
Common stock	138,408,285	—	—	138,408,285
2011				
	April 1, 2010	Increase	Decrease	March 31, 2011
Common stock	138,408,285	—	—	138,408,285

13. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2012 and 2011 are summarized as follows:

	Number of shares			
	2012			
	April 1, 2011	Increase	Decrease	March 31, 2012
Treasury stock	9,893,808	210	231	9,893,787
2011				
	April 1, 2010	Increase	Decrease	March 31, 2011
Treasury stock	9,859,357	35,033	582	9,893,808

14. BUSINESS COMBINATIONS

(a) Acquisition of shares of Hayashibara Co., Ltd.

(1) Summary of business combination

(i) Name and business description of acquired company

Acquired company: Hayashibara Co., Ltd.

Business description: Manufacture, research and development, and sales of micro-organisms, enzymes and enzyme-processed products made mainly from starch

(ii) Main purpose for business combination

The Company aimed to develop synergies in terms of research, development, manufacturing, and sales in important bio and life sciences business to achieve a scale matching that currently of the Company's chemicals, electronics, and plastics businesses.

(iii) Date of business combination

February 3, 2012

(iv) Legal description of business combination

Acquisition of shares

(v) Company name of acquired company after business combination

Hayashibara Co., Ltd.

(vi) Acquired ratio of voting rights

Number of shares acquired through business combination: 300,000 shares

Acquired ratio of voting rights through business combination: 100%

(vii) Main reason to determine acquiring company

The Company acquired shares of Hayashibara Co., Ltd. in cash.

(2) Period of acquired company's operating results in the consolidated statement of income

From March 1, 2012 to March 31, 2012

(3) Details on acquisition cost of acquired company

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Acquisition cost	¥15,000	\$182,504
Costs directly related to the acquisition	278	3,382
Total acquisition cost	¥15,278	\$185,886

(4) Amount of goodwill, reason for goodwill and period of amortization

(i) Amount of goodwill

¥30,321 million (\$368,913 thousand)

(ii) Reason for goodwill

Goodwill was recognized based on a reasonable estimation of future excess earn-

ing power expected with the future business development.

(iii) Period of amortization

The amount of goodwill has been amortized over a period of 20 years.

(5) Detail of assets acquired and liabilities assumed through business combination

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Current assets	¥15,711	\$191,155
Fixed assets	17,983	218,798
Total assets	¥33,694	\$409,953
Current liabilities	¥11,814	\$143,740
Long-term liabilities	50,892	619,199
Total liabilities	¥62,707	\$762,952

(6) Allocated amount to intangible assets other than goodwill

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Technology-based assets	¥21,800	\$265,239

(7) Estimated effect on the consolidated statement of income for the year ended March 31, 2012, assuming that this acquisition had been completed at April 1, 2011

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net sales	¥23,400	\$284,706
Operating income	1,250	15,209

(Method for calculating estimated effect and important assumptions)

The estimated effect was calculated as the difference between the sales and income data calculated on the assumptions that the business combination had been completed at April 1, 2011 and the sales and income data in the consolidated statement of income for the year ended March 31, 2012. Amortization of goodwill and technology-based assets was also calculated on the assumptions that goodwill and technology-based assets had been recognized at April 1, 2011.

This estimated effect stated in this note for the year ended March 31, 2012 is unaudited.

(b) Acquisition of shares of Engineered Materials Systems Inc.

(1) Summary of business combination

(i) Name and business description of acquired company

Acquired company: Engineered Materials Systems Inc.

Business description: Development, manufacture, and sales of commercial adhesives, conductive adhesives, and encapsulation materials

(ii) Main purpose for business combination

Engineered Materials Systems Inc. is based in North America and manufactures adhesives, sealants, insulating materials and other high-value-added formulated epoxy resins used in inkjet printers, lighting fixtures, solar cells and a wide variety of other applications. The Company believed Engineered Materials Systems Inc. was highly complementary with

the Company's formulated epoxy resin business, and had a strong potential for future growth. By this acquisition, the Company has secured a production base in North America, as well as created an opportunity to integrate technologies with Nagase Chemtex Corp. The Company expects this to lead to global expansion of the Company's electronics business as through its sales of high-value-added products in North America.

(iii) Date of business combination

January 5, 2012

(iv) Legal description of business combination

Acquisition of shares

(v) Company name of acquired company after business combination

Engineered Materials Systems Inc.

(vi) Acquired ratio of voting rights

Number of shares acquired through business combination: 100 shares

Acquired ratio of voting rights through business combination: 100%

(vii) Main reason to determine acquiring company

The Company acquired shares of Engineered Materials Systems Inc. in cash.

(2) Period of acquired company's operating results in the consolidated statement of income

From January 5, 2012 to March 31, 2012

(3) Details on acquisition cost of acquired company

	Millions of yen	Millions of U.S. dollars
	2012	2012
Acquisition cost	¥1,779	\$23
Costs directly related to the acquisition	93	1
Total acquisition cost	¥1,872	\$24

Amounts in dollars are converted into yen at the exchange rate as of the date of business combination.

(4) Amount of goodwill, reason for goodwill and period of amortization

(i) Amount of goodwill

¥1,781 million (\$23 million)

Amounts in dollars are converted into yen at the exchange rate as of the date of business combination.

(ii) Reason for goodwill

Goodwill was recognized based on a reasonable estimation of future excess earning power expected with the future business development.

(iii) Method and period of amortization

The amount of goodwill has been amortized over a period of 20 years.

(5) Detail of assets acquired and liabilities assumed through business combination

	Millions of yen	Millions of U.S. dollars
	2012	2012
Current assets	¥317	\$4
Fixed assets	184	2
Total assets	¥501	\$6
Current liabilities	¥392	\$5
Long-term liabilities	18	0
Total liabilities	¥410	\$5

Amounts in dollars are converted into yen at the exchange rate as of the date of business combination.

(6) The effect on the consolidated statement of income for the year ended March 31, 2012, assuming that this acquisition had been completed at April 1, 2011

Disclosure of the effect on the consolidated statement of income for the year ended March 31, 2012, assuming that this acquisition had been completed at April 1, 2011, has been omitted because it was immaterial.

(c) Formation of jointly controlled entity

The Company transferred 50% of the shares of Nagase Colors & Chemicals Co., Ltd., which was formerly a wholly-owned subsidiary of the Company, to OG Corporation.

Consequently, the Company and OG Corporation are both 50% equity holders in Nagase Colors & Chemicals Co., Ltd.

Effective April 1, 2012, Nagase Colors & Chemicals Co., Ltd. executed an absorption-type merger with ON Co-Labo Corporation, which had been accounted for by the equity method, receiving transfer of the textile and colors and imaging business from OG Corporation and changing its name to Nagase-OG Colors & Chemicals Co., Ltd.

(1) Summary of transaction

(i) Name and description of business

Business name: Textile-related business

Business description: Sales and consulting services related to dyestuffs/fiber-

- processing agents, functional processing agents, chemicals, petrochemicals, and textile products
- (ii) Date of business combination
December 27, 2011
- (iii) Legal description of business combination
Formation of a jointly controlled company between the Company and OG Corporation with each company retaining a 50% equity interest
- (iv) Name of company after business combination
Nagase Colors & Chemicals Co., Ltd.
- (v) Purpose and description of the transaction
The Company and OG Corporation established ON Co-Labo Corporation as a joint venture in 2007 for the purpose of developing and expanding a joint textiles-related business in China. While the two companies had an ongoing competitive relationship within Japan, the decision was made to integrate domestic and international operations to grow the worldwide textile business through an agreement with OG Corporation to form a jointly controlled entity.
- (vi) Reason that business combination was formed as a jointly controlled entity

Upon the formation of this jointly controlled entity, the Company signed a basic joint enterprise agreement with OG Corporation naming Nagase Colors & Chemicals Co., Ltd. as the joint-investment company. Consideration paid at the time of the business combination consisted entirely of shares with voting rights. Furthermore, no other specific facts indicate that a controlling relationship exists. It was therefore decided that the business combination was to be formed as a jointly controlled entity.

(2) Method of accounting for business combinations

The Company accounted this business combination as an establishment of a jointly controlled entity based on the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Implementation Guidance No.10 issued on December 26, 2008).

As a result of this business combination, Nagase Colors & Chemicals Co., Ltd. has been accounted for by the equity method from the third quarter of the year ended March 31, 2012.

15. SHARE-BASED COMPENSATION

At March 31, 2012, the Company had two stock option plans: the 2007 and 2008 stock option plans.

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 (\$20.04) per share at March 31, 2012. 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 (\$13.55) per share at March 31, 2012. 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 2007 plan	The 2008 plan
Number of shares:		
Outstanding at March 31, 2010	417,000	419,000
Granted	—	—
Expired	—	—
Exercised	—	—
Outstanding at March 31, 2011	417,000	419,000
Granted	—	—
Expired	(5,000)	(5,000)
Exercised	—	—
Outstanding at March 31, 2012	412,000	414,000
	(Yen)	
Fair value of options as of the grant date	¥143	¥124
	(U.S. dollars)	
Fair value of options as of the grant date	\$1.74	\$1.51

16. FINANCIAL INSTRUMENTS

(a) Policy for Financial Instruments

The Company and its consolidated subsidiaries (the "Group") invest excess funds in highly secure and short-term financial assets, whose principal is guaranteed to be recoverable. 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 exchange 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 exchange contracts are used solely for the netted position.

Investments in securities are subject to market price fluctuation risk. However, these are mainly equity securities 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 bridge loans relating to investments and financing. Long-term loans are taken out principally for the purpose of making capital spending, investments and financing. Loans with variable interest rates are 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 exchange 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, operating 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, 2012 and 2011 are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2012		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	¥ 29,184	¥ 29,184	¥ —
Notes and accounts receivable	197,702	197,702	(0)
Investments in securities			
Other securities	37,594	37,594	—
Total assets	¥264,480	¥264,480	¥ (0)
Liabilities			
Notes and accounts payable	¥109,163	¥109,163	¥ (0)
Short-term loans	38,633	38,633	—
Current portion of long-term loans	11,551	11,551	—
Long-term loans	38,200	38,335	135
Total liabilities	¥197,548	¥197,683	¥135
Derivatives(*)			
Not subject to hedge accounting	¥ (126)	¥ (126)	¥ —
Subject to hedge accounting	(34)	(34)	—
Total derivative transactions	¥ (161)	¥ (161)	¥ —

	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	15,525	15,525	—
Current portion of long-term loans	613	613	—
Long-term loans	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)	¥ —

Thousands of U.S. dollars

	2012		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	\$ 355,080	\$ 355,080	\$ —
Notes and accounts receivable	2,405,426	2,405,426	(0)
Investments in securities			
Other securities	457,404	457,404	—
Total assets	\$3,217,910	\$3,217,910	\$ (0)
Liabilities			
Notes and accounts payable	\$1,328,179	\$1,328,179	\$ (0)
Short-term loans	470,045	470,045	—
Current portion of long-term loans	140,540	140,540	—
Long-term loans	464,777	466,419	1,643
Total liabilities	\$2,403,553	\$2,405,195	\$1,643
Derivatives(*)			
Not subject to hedge accounting	\$ (1,533)	\$ (1,533)	\$ —
Subject to hedge accounting	(414)	(414)	—
Total derivative transactions	\$ (1,959)	\$ (1,959)	\$ —

* 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 amount approximates 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 6 regarding information on securities by holding objective.

Notes and accounts payable

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

Short-term loans and current portion of long-term loans

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

Long-term loans

The fair value of long-term loans 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 17.

The carrying value of financial instruments without determinable market value at March 31, 2012 and 2011 is presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities	¥ 4,112	¥ 3,079	\$ 50,030
Investments in unconsolidated subsidiaries and affiliates	7,307	7,403	88,904
Total	¥11,419	¥10,482	\$138,934

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, 2012 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 28,070	¥ —
Notes and accounts receivable	197,699	3
Total	¥225,769	¥ 3

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 341,526	\$ —
Notes and accounts receivable	2,405,390	37
Total	\$2,746,916	\$ 37

With respect to the redemption schedule of short-term loans, long-term loans and finance lease obligations, please refer to Note 7.

17. DERIVATIVES AND HEDGING ACTIVITIES

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2012 and 2011 are as follows:

	Type	Millions of yen		
		Contract value	Estimated fair value	Unrecognized gain (loss)
		2012		
	Foreign currency forward exchange contracts:			
	Selling:			
	U.S. dollars	¥2,652	¥ (86)	¥ (86)
	Yen	351	(2)	(2)
	Euro	628	(34)	(34)
	RMB	358	(30)	(30)
	Others	0	(0)	(0)
	Buying:			
	U.S. dollars	966	11	11
	Yen	1,150	14	14
	Euro	38	1	1
	Others	2	0	0
Total		¥6,150	¥ (126)	¥ (126)

	Type	Millions of yen		
		Contract value	Estimated fair value	Unrecognized gain (loss)
		2011		
	Foreign currency forward 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	Thousands of U.S. dollars		
		Contract value	Estimated fair value	Unrecognized gain (loss)
		2012		
	Foreign currency forward exchange contracts:			
	Selling:			
	U.S. dollars	\$32,267	\$(1,046)	\$(1,046)
	Yen	4,271	(24)	(24)
	Euro	7,641	(414)	(414)
	RMB	4,356	(365)	(365)
	Others	0	(0)	(0)
	Buying:			
	U.S. dollars	11,753	134	134
	Yen	13,992	170	170
	Euro	462	12	12
	Others	24	0	0
Total		\$74,827	\$(1,533)	\$(1,533)

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

The open currency-related derivatives positions designated as hedging instruments at March 31, 2012 and 2011 are as follows:

		Millions of yen			
		2012			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
		U.S. dollars	¥1,878	¥ —	¥ (68)
		Euro	95	—	(5)
		RMB	84	—	(7)
		Others	7	—	(0)
	Buying:				
		U.S. dollars	1,085	—	40
		Euro	146	—	6
		Others	8	—	0
Allocation method for foreign currency forward exchange contracts (Note 2(o))	Foreign currency forward exchange contracts:				
	Selling:				
		U.S. dollars	4,000	—	(*)
		Euro	10	—	(*)
		Others	162	—	(*)
	Buying:				
		U.S. dollars	721	—	(*)
		Euro	108	—	(*)
		Others	(0)	—	(*)
	Total		¥8,310	¥ —	¥ (34)

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

		Thousands of U.S. dollars			
		2012			
Method for hedge accounting	Type of derivative transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
		U.S. dollars	\$ 22,849	\$ —	\$(827)
		Euro	1,156	—	(61)
		RMB	1,022	—	(85)
		Others	85	—	(0)
	Buying:				
		U.S. dollars	13,201	—	487
		Euro	1,776	—	73
		Others	97	—	0
Allocation method for foreign currency forward exchange contracts	Foreign currency forward exchange contracts:				
	Selling:				
		U.S. dollars	48,668	—	(*)
		Euro	122	—	(*)
		Others	1,971	—	(*)
	Buying:				
		U.S. dollars	8,772	—	(*)
		Euro	1,314	—	(*)
		Others	(0)	—	(*)
	Total		\$101,107	\$ —	\$(414)

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

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

The open interest-related derivatives positions designated as hedging instruments at March 31, 2012 and 2011 are as follows.

		Millions of yen			
		2012			
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	Interest-rate swap transaction (pay-fixed, receive-variable)	Long-term loans	¥42,300	¥33,840	(**)

		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	Interest-rate swap transaction (pay-fixed, receive-variable)	Long-term loans	¥8,000	¥8,000	(**)

		Thousands of U.S. dollars			
		2012			
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	Interest-rate swap transaction (pay-fixed, receive-variable)	Long-term loans	\$514,661	\$411,729	(**)

(**): 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 loans, their fair values were included in estimated fair value of long-term loans.

18. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2012 and 2011 totaled ¥3,372 million (\$41,027 thousand), ¥3,512 million, respectively.

19. 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, 2012 and 2011, 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					
	2012			2011		
	Acquisition costs	Accumulated depreciation/amortization	Net book value	Acquisition costs	Accumulated depreciation/amortization	Net book value
Machinery, equipment and vehicles	¥153	¥115	¥38	¥ 81	¥ 64	¥17
Software included in other assets	44	42	2	44	33	11
Total	¥199	¥158	¥40	¥127	¥ 98	¥28

	Thousands of U.S. dollars		
	2012		
	Acquisition costs	Accumulated depreciation/amortization	Net book value
Machinery, equipment and vehicles	\$ 1,862	\$ 1,399	\$462
Software included in other assets	535	511	24
Total	\$ 2,421	\$ 1,922	\$487

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Lease payments	¥30	¥37	\$ 365
Reversal of impairment loss	—	25	—
Depreciation/amortization expense	24	33	292
Interest expense	2	2	24

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

Future minimum lease payments subsequent to March 31, 2012 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
2013	¥35	\$426
2014 and thereafter	29	353
Total	¥64	\$779

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2012 under operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥250	\$3,042
2014 and thereafter	419	5,098
Total	¥670	\$8,152

20. CONTINGENT LIABILITIES

At March 31, 2012, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥902 million (\$10,975 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥13 million (\$158 thousand).

In addition, at March 31, 2012, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks and notes endorsed for a total amount of ¥394 million (\$4,794 thousand).

21. AMOUNTS PER SHARE

Amounts per share at March 31, 2012 and 2011 and for the years then ended are as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net income:			
Basic	¥66.69	¥99.76	\$ 0.81
Diluted	—	—	—
Net assets	1,592.87	1,568.04	19.38
Cash dividends applicable to the year	24.00	22.00	0.29

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, 2012 and 2011 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 for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income	¥8,570	¥12,823	\$104,271
Adjusted net income available for distribution to shareholders of common stock	¥8,570	¥12,823	\$104,271
Weighted-average number of shares	128,514,527	128,535,317	

22. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2012 and 2011 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and time deposits	¥29,184	¥47,202	\$355,080
Time deposits with maturities of more than three months	(667)	—	(8,115)
Cash and cash equivalents	¥28,517	¥47,202	\$346,964

The following is the summary of assets and liabilities at the timing of initial consolidation of subsidiaries, which were initially consolidated during the year ended March 31, 2012, and relation of acquisition costs and net disbursement:

1) Hayashibara Co., Ltd.

	Millions of yen		Thousands of U.S. dollars
	2012	2012	2012
Current assets	¥15,711		\$191,155
Technology-based assets	21,800		265,239
Goodwill	30,321		368,913
Other fixed assets	17,983		218,798
Current liabilities	(11,814)		(143,740)
Deferred tax liabilities	(7,831)		(95,279)
Other long-term liabilities	(50,892)		(619,199)
Acquisition value of shares	15,278		185,886
Cash and cash equivalents	(4,333)		(52,719)
Loans to Hayashibara Co., Ltd.	55,000		(669,181)
Net disbursement due to the share acquisition	¥65,944		\$802,336

2) Engineered Materials Systems Inc.

	Millions of yen		Thousands of U.S. dollars
	2012	2012	2012
Current assets	¥ 317		\$ 3,857
Fixed assets	184		2,239
Goodwill	1,781		21,669
Current liabilities	(392)		(4,769)
Long-term liabilities	(18)		(219)
Acquisition value of shares	1,872		22,776
Cash and cash equivalents	(43)		(523)
Net disbursement due to the share acquisition	¥1,829		\$22,253

The following is the summary of assets and liabilities of Nagase Colors & Chemicals Co., Ltd., which was excluded from consolidation during the year ended March 31, 2012 resulting from sales of investment in this company, at the timing of exclusion from consolidation:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Current assets	¥6,016	\$73,196
Fixed assets	150	1,825
Total assets	¥6,166	\$75,021
Current liabilities	¥5,300	\$64,485
Long-term liabilities	78	949
Total Liabilities	¥5,378	\$65,434

23. 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, and precision cleaning agents for electronics.

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, low-temperature vacuum equipment and functional epoxy resins.

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

To more fully take advantage of potential synergies, the business engaging in precision abrasive materials, solar cell-related materials, and hard disk-related materials, which had been included in the "Electronics" segment, was reclassified to the "Chemicals" segment from the first quarter of the year ended March 31, 2012.

(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 corresponds to operating income in 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, 2012 is as follows:

	Millions of yen									
	2012									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	¥251,942	¥219,209	¥110,513	¥ 49,170	¥630,835	¥1,018	¥631,854	¥ —	¥ —	¥631,854
Intersegment sales and transfers	2,211	2,639	725	629	6,206	5,369	11,576	—	(11,576)	—
Net sales	254,153	221,849	111,239	49,799	637,042	6,388	643,431	—	(11,576)	631,854
Segment income	¥ 7,154	¥ 3,071	¥ 6,017	¥ 710	¥ 16,953	¥ 141	¥ 17,094	¥ (4,471)	¥ 804	¥ 13,427
Segment assets	¥118,175	¥107,585	¥ 58,025	¥114,198	¥397,985	¥7,165	¥405,150	¥154,761	¥(109,070)	¥450,842
Other items:										
Depreciation and amortization	620	757	2,372	816	4,566	343	4,910	2,361	—	7,272
Amortization of goodwill	1	—	23	126	151	—	151	—	—	151
Unamortized balance of goodwill	—	—	1,884	30,195	32,079	—	32,079	—	—	32,079
Investments in affiliates accounted for by the equity method	551	732	146	1,598	3,028	1,725	4,753	—	—	4,753
Increase in tangible and intangible fixed assets	1,107	1,720	4,079	1,438	8,346	99	8,445	4,736	—	13,182

Under the new segmentation policy adopted by the Company, information by reportable segment for the year ended March 31, 2011 would have been as follows:

	Millions of yen									
	2011									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	¥ 270,294	¥ 222,100	¥ 116,636	¥50,247	¥ 659,279	¥ 934	¥ 660,213	¥ —	¥ —	¥ 660,213
Intersegment sales and transfers	2,315	2,676	544	514	6,050	5,461	11,512	—	(11,512)	—
Net sales	272,609	224,777	117,180	50,762	665,330	6,395	671,725	—	(11,512)	660,213
Segment income	¥ 9,093	¥ 4,767	¥ 5,827	¥ 956	¥ 20,645	¥ 13	¥ 20,659	¥ (2,685)	¥ 758	¥ 18,732
Segment assets	¥ 113,533	¥ 100,265	¥ 53,890	¥30,136	¥ 297,826	¥7,371	¥ 305,198	¥ 101,437	¥(31,299)	¥ 375,336
Other items:										
Depreciation and amortization	467	586	2,697	650	4,402	398	4,800	1,579	—	6,380
Amortization of goodwill	7	—	103	—	110	—	110	—	—	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									
	2012									
	Reportable Segments					Others	Total	Corporate	Adjustments	Consolidated
Chemicals	Plastics	Electronics	Life Sciences	Total						
Sales to customers	\$3,065,361	\$2,667,101	\$1,344,604	\$ 598,248	\$7,675,325	\$12,386	\$7,687,724	\$ —	\$ —	\$7,687,724
Intersegment sales and transfers	26,901	32,109	8,821	7,653	75,508	65,324	140,844	—	(140,844)	—
Net sales	3,092,262	2,699,221	1,353,437	605,901	7,750,846	77,722	7,828,580	—	(140,844)	7,687,724
Segment income	\$ 87,042	\$ 37,365	\$ 73,208	\$ 8,639	\$ 206,266	\$ 1,716	\$ 207,982	\$ (54,398)	\$ 9,782	\$ 163,365
Segment assets	\$1,437,827	\$1,308,979	\$ 705,986	\$1,389,439	\$4,842,256	\$87,176	\$4,929,432	\$1,882,966	\$(1,327,047)	\$5,485,563
Other items:										
Depreciation and amortization	7,543	9,210	28,860	9,928	55,554	4,173	59,740	28,726	—	88,478
Amortization of goodwill	12	—	280	1,533	1,837	—	1,837	—	—	1,837
Unamortized balance of goodwill	—	—	22,922	367,380	390,303	—	390,303	—	—	390,303
Investments in affiliates accounted for by the equity method	6,704	8,906	1,776	19,443	36,841	20,988	57,829	—	—	57,829
Increase in tangible and intangible fixed assets	13,469	20,927	49,629	17,496	101,545	1,205	102,750	57,623	—	160,384

(d) Geographical information

Net sales for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japan	¥366,369	¥389,379	\$4,457,586
China	122,501	112,631	1,490,461
Other	142,983	158,202	1,739,664
Total	¥631,854	¥660,213	\$7,687,724

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

Property, plant and equipment as of March 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japan	¥53,569	¥36,627	\$ 651,770
Other	3,158	3,289	38,423
Total	¥56,727	¥39,916	\$ 690,193

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

Loss on impairment of fixed assets for the years ended March 31, 2012 and 2011 is as follows:

	Millions of yen							
	2012							
	Reportable Segments				Others	Eliminations or corporate	Total	
Chemicals	Plastics	Electronics	Life Sciences	Total				
Loss on impairment of fixed assets	—	—	¥319	¥54	¥373	¥82	—	¥455

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

	Thousands of U.S. dollars							
	2012							
	Reportable Segments				Others	Eliminations or corporate	Total	
Chemicals	Plastics	Electronics	Life Sciences	Total				
Loss on impairment of fixed assets	—	—	\$3,881	\$657	\$4,538	\$998	—	\$5,536

(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 in the Chemicals segment for the year ended March 31, 2011.

24. EFFECT OF BANK HOLIDAY ON MARCH 31, 2012

As the balance sheet date fell on a bank holiday, the following notes receivable and notes payable with due dates of March 31, 2012 were included in the respective balances and were settled on the next business day.

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥2,158	\$26,256
Notes payable	579	7,045

25. SUBSEQUENT EVENTS

(a) Bond Issuances

Based on a resolution approved at a meeting of the Board of Directors held on May 8, 2012, the Company issued bonds on June 13, 2012. Details of the bond issuances were as follows:

Description	The 2nd Series of Bonds
Issuance date	June 13, 2012
Total issuance amount	¥10,000 million (\$121,669 thousand)
Issue price	¥100 (\$1.22) with a face value of ¥100 (\$1.22)
Annual interest rate	0.306%
Maturity	June 12, 2015
Type	Unsecured
Usage of funds	Repayment of loans and raising of working capital

Description	The 3rd Series of Bonds
Issuance date	June 13, 2012
Total issuance amount	¥10,000 million (\$121,669 thousand)
Issue price	¥100 (\$1.22) with a face value of ¥100 (\$1.22)
Annual interest rate	0.442%
Maturity	June 13, 2017
Type	Unsecured
Usage of funds	Repayment of loans and raising of working capital

Description	The 4th Series of Bonds
Issuance date	June 13, 2012
Total issuance amount	¥10,000 million (\$121,669 thousand)
Issue price	¥100 (\$1.22) with a face value of ¥100 (\$1.22)
Annual interest rate	0.753%
Maturity	June 13, 2019
Type	Unsecured
Usage of funds	Repayment of loans and raising of working capital


The Company paid ¥20,000 million (\$243,339 thousand) out of the total amount of bond issuances on June 13, 2012 as repayment of short-term loans for acquisition of Hayashibara Co., Ltd. dated February 3, 2012. The Company expects to keep the remaining amount as fund in hand and to pay it as working capital by the end of March 2013.

(b) Cash Dividends

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, 2012, was approved at a meeting of the shareholders held on June 28, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥12.0 = U.S.\$0.15 per share)	¥1,542	\$18,761

Independent Auditor's Report


Ernst & Young ShinNihon LLC

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC
June 28, 2012
Osaka, Japan

Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method

Category	Company name	Description of business	Location	Year of establishment	Equity ownership (%) (indicates indirect investment)
JAPAN					
Manufacturing and Processing					
●	Nagase ChemteX Corp.	Research, manufacture, and sale of enzymes, fermented products, pharmaceutical intermediates, disinfecting agents, functional polymers, epichlorohydrine derivatives, electronics materials, etc.	Osaka Pref.	1970	100.0
●	Hayashibara Co., Ltd.	Development, manufacture, and sale of food raw materials, pharmaceutical raw materials, cosmetics raw materials, health foods raw materials, functional dyes, etc.	Okayama Pref.	1932	100.0
●	Nagase Medicals Co., Ltd.	Manufacture and sale of pharmaceuticals, animal drugs, health foods, and cosmetics	Hyogo Pref.	1972	100.0
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	Osaka Pref.	1966	100.0
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	Osaka Pref.	1952	77.1
●	Kotobuki Kasei Corp.	Molding, processing and sale of plastic products	Tochigi Pref.	1972	100.0 (42.5)
●	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.	Tokyo Pref.	1989	100.0
●	NCK Ltd.	Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers	Hyogo Pref.	1985	100.0 (100.0)
●	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	Fukui Pref.	1985	90.0
●	Nagase Filters Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	Osaka Pref.	2006	100.0
●	CAPTEX Co., Ltd.	Manufacture and development of battery power source controllers, battery power sources and power source peripheral equipment	Aichi Pref.	2004	100.0
○	Sun Delta Corporation	Development of applications for synthetic plastic products and manufacture and sale of processed products	Tokyo Pref.	2005	50.0
○	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	Kanagawa Pref.	1968	40.0
○	Toyo Beauty Supply Corp.	Contract manufacture of cosmetics and health foods	Tokyo Pref.	1964	40.0
○	eX. Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	Osaka Pref.	2003	30.4
○	SN Tech Corporation	Manufacture of developer, recycling business	Osaka Pref.	2008	40.0 (5.0)
	Kawai Hiryo Corporation	Manufacture and sale of organic fertilizers and agricultural chemicals and materials	Shizuoka Pref.	1981	100.0 (33.3)
	Nihon Bio Fertilizer Co., Ltd.	Manufacture and sale of organic fertilizer	Shizuoka Pref.	1986	100.0 (100.0)
	Uma Yasai Farm Corporation	Processing and sales of agricultural and livestock goods	Shizuoka Pref.	2008	90.0 (90.0)
	Digital Wire Technology Co., Ltd.	Design, manufacture, and quality management of fabless semiconductors	Tokyo Pref.	2012	66.0
Servicing					
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	Hyogo Pref.	1982	100.0
●	Hoei Techno Service Co., Ltd.	Duplication and processing of computer software, warehousing and distribution	Tokyo Pref.	1991	100.0 (100.0)
●	Nagase General Service Co., Ltd.	Sale and lease of various goods, real estate administration	Tokyo Pref.	1983	100.0
●	Nagase Information Development, Ltd.	Software development and maintenance	Tokyo Pref.	1987	100.0
●	Nagase Trade Management Co., Ltd.	Business agent for foreign trade documentation	Tokyo Pref.	1996	100.0
○	Nippon Vopac Co., Ltd.	Warehousing, motor truck carrier business and freight transportation services	Tokyo Pref.	1966	20.0
○	Nagase Landauer, Ltd.	Radiation measuring services	Ibaraki Pref.	1974	50.0
	Nagase Logistics Support Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	Hyogo Pref.	1954	100.0 (100.0)
	Choko Co., Ltd.	Insurance agency	Osaka Pref.	1971	37.7
	TAGCyx Biotechnologies	High-function materials using artificial bases, reagent kits, diagnostic products, pharmaceuticals	Kanagawa Pref.	2007	36.5

Category	Company name	Description of business	Location	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	Tokyo Pref.	1995	100.0
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	Osaka Pref.	1975	100.0
●	Hoei Sangyo Co., Ltd.	Sale of film materials, magnetic products, information imaging materials, etc.	Tokyo Pref.	1974	80.5
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	Tokyo Pref.	1991	100.0
●	Nishinon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	Fukuoka Pref.	1969	100.0
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	Tokyo Pref.	1979	100.0
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	Osaka Pref.	1955	100.0
●	Nagase Sanbio Co., Ltd.	Sale of enzymes and additives for food and feed	Tokyo Pref.	1987	100.0 (13.0)
●	Nagase Chemspec Co., Ltd.	Sale and technological servicing of chemicals	Tokyo Pref.	1976	100.0
○	Nagase-OG Colors & Chemicals Co., Ltd.	Purchasing and information services related to dyes, industrial chemicals, etc.	Osaka Pref.	1957	50.0
	Nagase Tool Matex Co., Ltd.	Sale of auto models, test production materials, and carbon fiber composites	Tokyo Pref.	1965	100.0
	OnFine Co., Ltd.	Manufacture and sale of electronics and fluorine and polysilane variants for use in materials	Osaka Pref.	2002	50.0 (25.0)
	Nihon UNF Co., Ltd.	Manufacture, sale, import/export, management consulting, and investment in pharmaceuticals and non-pharmaceuticals	Shizuoka Pref.	2001	20.0
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	China	2002	100.0 (50.0)
●	Nagase International Electronics Ltd.	Process and assembly of films in South China	China	2004	100.0 (20.0)
●	Totaku Industries Suzhou Co., Ltd.	Manufacture and sale of plastic products	China	2005	100.0 (100.0)
●	Nagase Precision Plastics Shanghai Co., Ltd.	Plastic tray molding	China	2001	99.4 (3.2)
●	Nagase Electronics Technology Co., Ltd.	Chemical etching of liquid crystal glass panel units)	Taiwan	2005	71.0 (11.0)
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	Korea	1997	100.0
	Nagase Electronics Technology (Xiamen) Co., Ltd.	Chemical etching of liquid crystal glass panel units	China	2010	100.0 (100.0)
	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	China	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	China	2004	20.0
	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	China	1993	24.2
	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	China	2005	30.0
	Light Chemical (Changzhou) Co., Ltd.	Research, development, and afterservice for high-function composites and intermediates; sales of internally developed products	China	2011	33.4
Servicing					
	Nagase Marketing and Service (Shenzhen) Ltd.	Contract customer services	China	2006	100.0 (100.0)
	Nagase CMS Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	China	2006	100.0 (60.0)
	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	China	2008	60.0 (30.0)

Category	Company name	Description of business	Location	Year of establishment	Equity ownership (%) (indicates indirect investment)
Sales					
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	China	1971	100.0
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	China	1998	70.0 (53.8)
	Suzhou Branch Office		China		
	Ningbo Branch Office		China		
	Chengdu Branch Office		China		
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	China	1997	100.0
●	Nagase Wahlee Plastics Corp.	Sale of plastics and related products	Taiwan	1990	60.0 (5.0)
	Taichung Office		Taiwan		
	Gangshan Office		Taiwan		
●	NWP (B.V.I.) Corporation	Vehicle for investments into China from Taiwan	British Virgin Islands	2007	100.0 (100.0)
●	Guangzhou Nagase Trading Ltd.	Import/export, domestic sales, marketing	China	2002	100.0 (100.0)
	Wuhan Branch Office		China		
	Chongqing Branch Office		China		
	Chengdu Branch Office		China		
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	Taiwan	1988	100.0
	Xiamen Representative Office		China		
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2003	100.0
	Dalian Branch Office		China		
	Qingdao Branch Office		China		
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	China	2004	100.0 (100.0)
	Dongguan Branch Office		China		
	Guangzhou Branch Office		China		
●	Nagase Korea Corp.	General import/export trading, retailing/wholeselling, import/export trade agency	Korea	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	China	2011	100.0
	Xiamen Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	China	2011	100.0 (100.0)
	Sekisui Plastics (Hong Kong) Trading Co., Ltd.	Sales of import components, sale of molded products	China	2005	26.0

ASEAN AND THE MIDDLE EAST

Manufacturing and Processing					
●	Nagase FineChem Singapore (Pte) Ltd.	Manufacture and recycling of chemical agents for liquid crystals	Singapore	2001	100.0 (40.0)
●	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	Thailand	1994	40.0
●	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	Thailand	2000	32.1
	Nafuko Co., Ltd.	Manufacture, import/export and sale of packaging materials and related equipment	Thailand	1996	28.0 (28.0)
	Dainichi Color Vietnam Co., Ltd.	Manufacture and sale of color masterbatch blend for plastic	Vietnam	2005	40.0
	Pac Tech Asia Sdn.Bhd.	Manufacture and sale of semiconductor manufacturing equipment, contract processing for wafer bumping	Malaysia	2006	100.0 (100.0)
	P.T. Toyo Quality One Indonesia	Manufacture of flame lamination products	Indonesia	2008	25.0
	ZCL Chemicals Ltd.	Contract synthesis and process development	India	1991	25.0
	Majend Makcs Co., Ltd.	Plastic film processing	Thailand	2002	30.0 (30.0)

Category	Company name	Description of business	Location	Year of establishment	Equity ownership (%) (indicates indirect investment)
Sales					
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	Thailand	1989	100.0
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	Singapore	1975	100.0
	Australia Branch		Australia		
	Bangladesh Liaison Office		Bangladesh		
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	Malaysia	1981	100.0
	Johor Bahru Office		Malaysia		
	Penang Office		Malaysia		
●	P.T. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	Indonesia	1998	100.0 (10.0)
●	Nagase Philippines Corp.	Import/export, domestic sales, marketing	Philippines	1997	100.0
●	Nagase Philippines International Services Corp.	Domestic sales, import/export	Philippines	2005	100.0
●	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	Vietnam	2008	100.0
	Ho Chi Minh City Branch		Vietnam		
	Nagase India Private Ltd.	Import/export, domestic sales, marketing	India	2006	100.0 (0.1)
	North India Branch (Gurgaon)		India		
	Nagase (Siam) Co., Ltd.	Contract services for Group companies	Thailand	2000	49.0 (49.0)
	Nagase & Co., Ltd. Dubai Branch	Branch	United Arab Emirates		

NORTH AND CENTRAL AMERICA

Manufacturing and Processing					
●	Engineered Materials Systems Inc.	Research and development, manufacture, and sales of materials for commercial adhesives, conductive adhesives	America	1993	100.0 (50.0)
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	America	2001	100.0 (100.0)
●	Sofix Corp.	Manufacture and sale of color formers	America	1990	100.0
	KN Plotech America Corporation	Manufacture and sale of blow-formed plastic components and products	America	2010	50.0
	TIMLE S.A.DE C.V.	Manufacture and sale of automotive laminated frames sale of automotive urethane foam	Mexico	2010	15.0
	TQ-1 de MEXICO S.A. DE C.V.	Manufacture and sale of urethane for automotive seat pads	Mexico	2012	25.0

Sales

●	Nagase America Corp.	Import/export, domestic sales, marketing	America	1971	100.0
	Michigan Branch		America		
	California Branch		America		
	Nagase Enterprise Mexico S.A. de C.V.	Import/export sales, intermediate trade, market development, information collection	Mexico	2010	100.0 (100.0)

EUROPE

Manufacturing and Processing					
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	German	1995	73.52
Sales					
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	German	1980	100.0
	Hungary Representative Office		Hungary		
	London Branch		England		
	Poland Representative Office		Poland		

Corporate Information (As of March 31, 2012)

About Nagase & Co., Ltd.

Company Name	NAGASE & CO., LTD.		
Founded	June 18, 1832		
Established	December 9, 1917		
Capital	¥9,699 million		
Employees	961 (Consolidated: 5,545)		
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., Sumitomo Mitsui Trust Bank, Limited		
Main Offices	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	

History

1832	<ul style="list-style-type: none"> Nagase founded in Kyoto as a dyestuffs trading concern Sales of dyestuffs, starches and funori seaweed 	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)
1893	<ul style="list-style-type: none"> Established Osaka branch office 	1997	<ul style="list-style-type: none"> Established Nagase Philippines Corp. Established Shanghai Nagase Trading Co., Ltd. Established Nagase Engineering Service Korea Co., Ltd.
1898	<ul style="list-style-type: none"> Head office moved to Osaka 	1998	<ul style="list-style-type: none"> Established P.T. Nagase Impor-Ekspor Indonesia Established Shanghai Hua Chang Trading Co., Ltd.
1900	<ul style="list-style-type: none"> Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals 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.
1911	<ul style="list-style-type: none"> Established Tokyo branch office 	2002	<ul style="list-style-type: none"> Established Guangzhou Nagase Trading Ltd. Established a representative office in Hanoi, Vietnam Established Nagase ChemteX (Wuxi) Corp.
1917	<ul style="list-style-type: none"> Inaugurated as Nagase Shoten Company with capital of ¥3 million 	2004	<ul style="list-style-type: none"> Established Nagase International Electronics Ltd. Established NWP International Trading (Shenzhen) Co., Ltd.
1923	<ul style="list-style-type: none"> Established business ties with Eastman Kodak Co. of the United States 	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.
1930	<ul style="list-style-type: none"> Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States 	2006	<ul style="list-style-type: none"> Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH Established Nagase India Private Ltd.
1940	<ul style="list-style-type: none"> Established Nagoya branch office 	2007	<ul style="list-style-type: none"> Established Nagase Application Workshop
1943	<ul style="list-style-type: none"> Company name changed to Nagase & Co., Ltd. 	2008	<ul style="list-style-type: none"> Established Sakai Sales Office Established Nagase Vietnam Co., Ltd.
1964	<ul style="list-style-type: none"> Listed Company shares on the Osaka Securities Exchange 	2009	<ul style="list-style-type: none"> Opened a branch office in Dubai
1968	<ul style="list-style-type: none"> Concluded an exclusive distributorship agreement with General Electric Co. of the United States 	2012	<ul style="list-style-type: none"> Acquisition of Engineered Materials Systems Inc. stock (consolidated subsidiary), U.S.-based maker of formulated epoxy resins Acquisition of Hayashibara Co., Ltd. stock (Okayama, Japan; consolidated subsidiary)
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 		

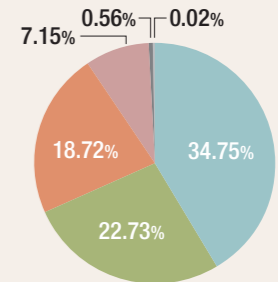
Investor Information (As of March 31, 2012)

■ Stock Exchange Listings	Tokyo, Osaka (First Sections)
■ Code	8012
■ Authorized Number of Shares	346,980,000
■ Issued Number of Shares	138,408,285
■ Number of Shareholders	6,124
■ Principal Shareholders	

Name	Number of Shares Held (thousands)	Percentage of Total Shares Outstanding (%)
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	10,332	7.47
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,661	5.54
The Sumitomo Trust & Banking Co., Ltd.	5,776	4.17
Japan Trustee Services Bank, Ltd. (Trust Account)	5,404	3.90
Nippon Life Insurance Company	4,486	3.24
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,137	2.99
NORTHERN TRUST CO. AVFC RE U.S. TAX EXEMPTED PENSION FUNDS	3,566	2.58
Reiko Nagase	3,522	2.54
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,986	2.16

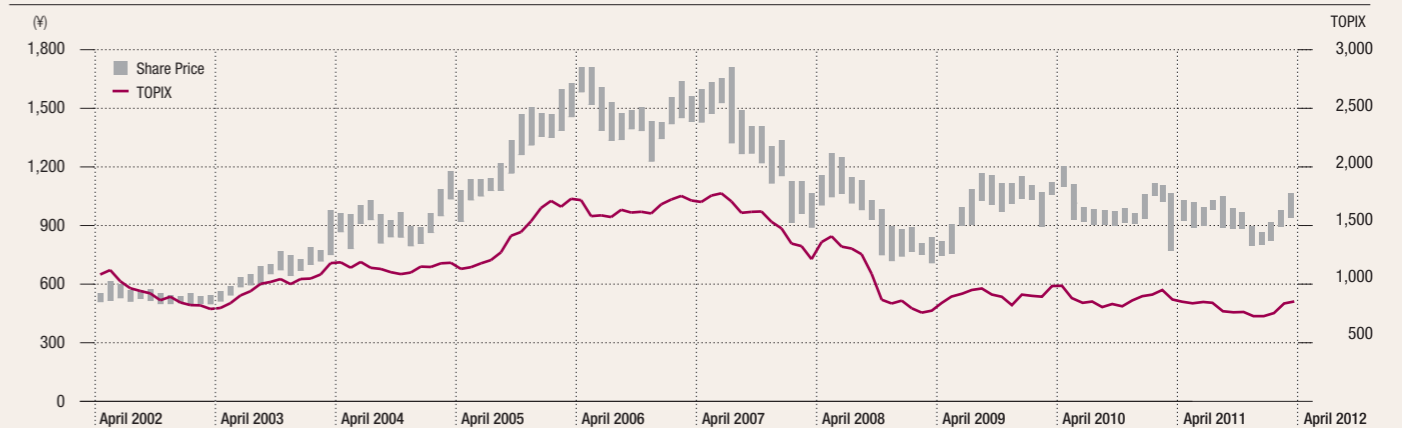
Notes: 1. In addition to the above, the Company holds 9,893 thousand shares of treasury stock (7.15%) without voting rights.
 2. Shares owned by Hiroshi Nagase include shares nominally owned by Nagase & Co., Ltd.
 3. The Sumitomo Trust & Banking Co., Ltd. merged with the Chuo Mitsui Trust and Banking Company, Ltd. and the Chuo Mitsui Asset Trust and Banking Company, Ltd. as of April 1, 2012 to become the Sumitomo Mitsui Trust Bank, Limited.

■ Composition of Shareholders



Financial Institutions (46)	48,110,364 shares
Foreign Investors (182)	31,450,824 shares
Individuals and Others (5,654)	25,915,656 shares
Treasury Stock (1)	9,893,787 shares
Securities Companies (28)	770,995 shares
Government/Local Governments (1)	27,650 shares

■ Monthly Share Price Range of Nagase



■ Monthly Trading Volume

