

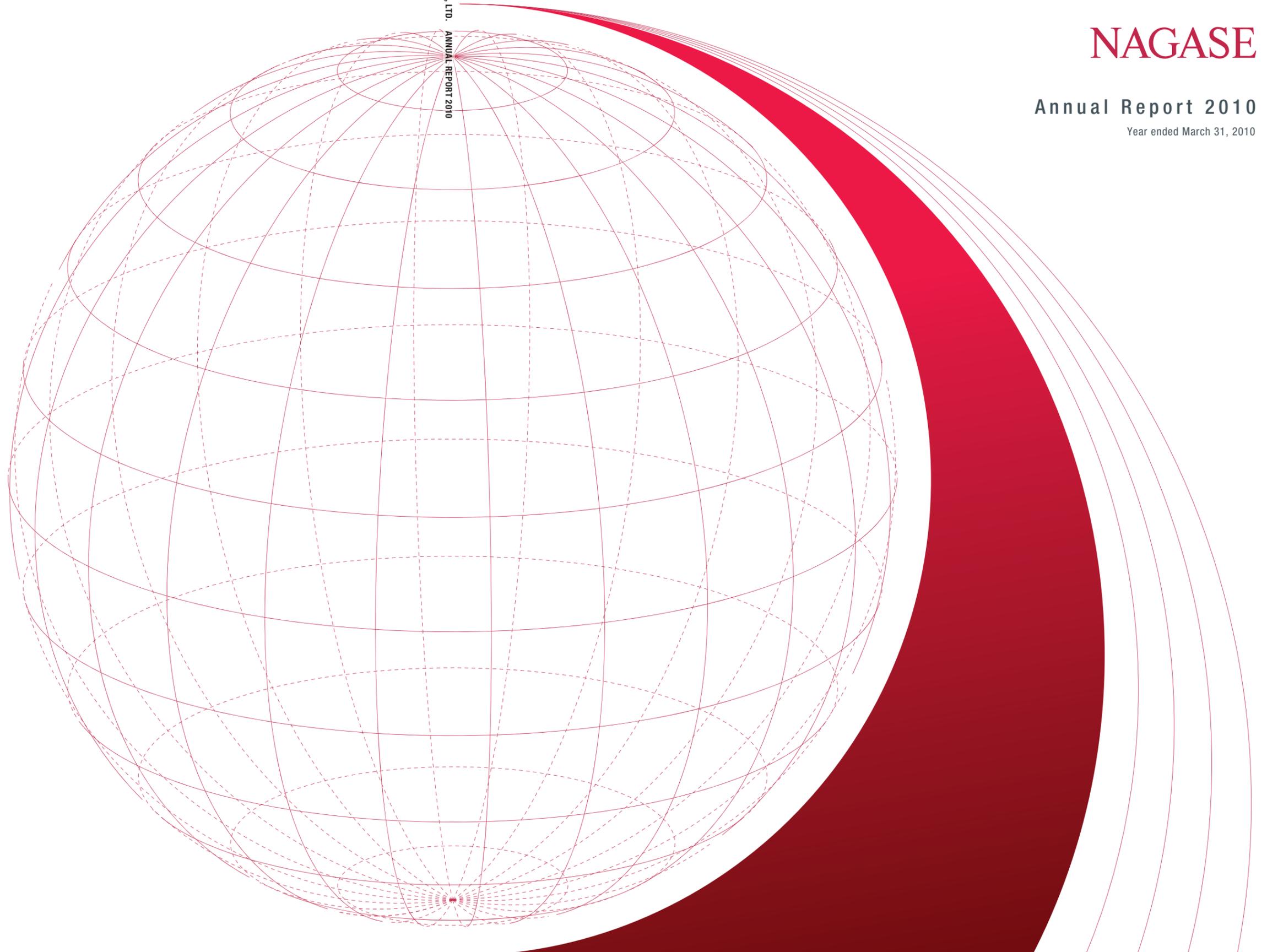
*A technology- and intelligence-oriented company
that turns wisdom into business.*

NAGASE

Annual Report 2010

Year ended March 31, 2010

NAGASE & CO., LTD.
ANNUAL REPORT 2010



NAGASE

NAGASE & CO., LTD.

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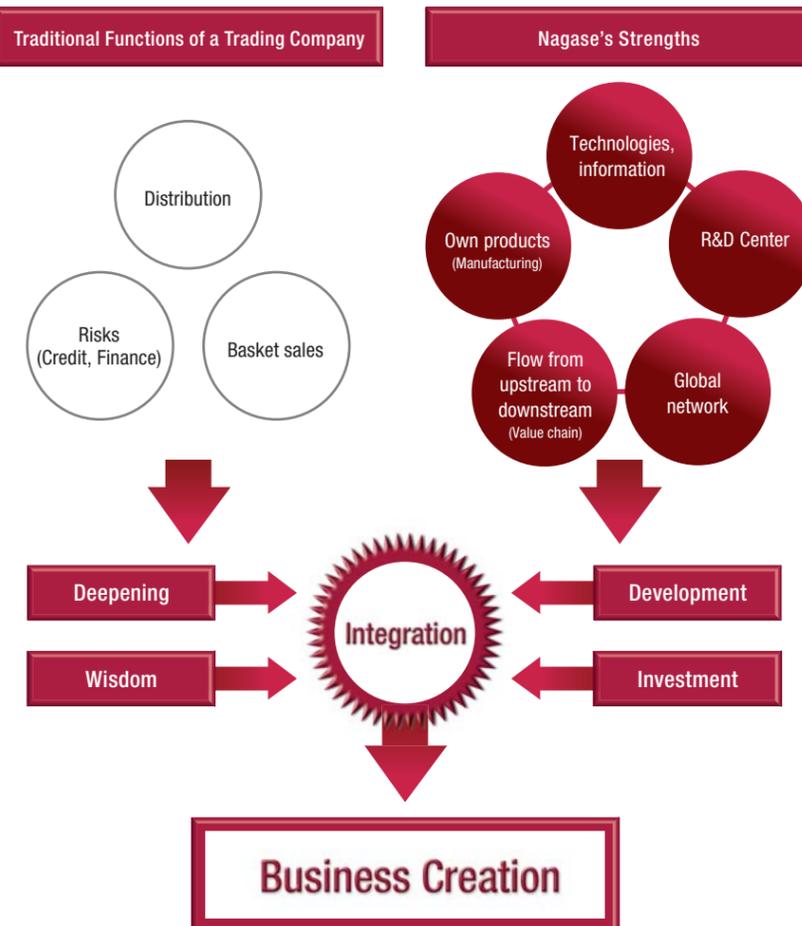
Corporate Profile

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

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

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

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



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A Cautionary Note on Forward-Looking Statements

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

10-Year Financial Highlights Nagase & Co., Ltd. and Consolidated Subsidiaries (Years Ended March 31)

(Millions of Yen)								(Millions of Yen)				Change	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	2010/2009	2010/3	
	① WIT2000 (Reform)			② WIT21 (Promotion)				③ WIT 2008 (Reinforcement)		④ "CHANGE" 11			
	Investment Amount: ¥20.2 billion			Investment Amount: ¥23.7 billion				Investment Amount: ¥27.7 billion		Investment Amount: ¥10.7 billion			
Performance (Accounting Fiscal Year)													
Net Sales	¥ 559,372	¥ 490,583	¥ 503,688	¥ 533,301	¥ 575,636	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	¥ 603,949	(15.6)%	\$6,491,283	
Segments													
Chemicals	237,871	218,524	223,656	231,360	251,725	222,282	247,094	267,836	263,114	237,124	(9.9)	2,548,624	
Plastics	205,460	175,252	165,810	170,996	188,456	229,278	244,681	274,660	255,859	192,569	(24.7)	2,069,744	
Electronics	103,382	83,660	99,759	118,978	122,632	132,086	150,796	163,833	135,773	117,591	(13.4)	1,263,876	
Life Sciences	—	—	—	—	—	56,404	53,556	56,489	58,905	55,542	(5.7)	596,969	
Other	—	—	—	—	—	7,972	5,191	1,934	1,585	1,121	(29.3)	12,049	
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	(8.7)	3,873,409	
Overseas	166,817	149,481	166,157	183,744	211,928	259,553	290,532	331,942	320,364	243,567	(24.0)	2,617,874	
Gross Profit	55,140	46,976	51,899	53,494	61,960	67,640	73,639	80,506	71,527	65,415	(8.5)	703,085	
Operating Income	7,752	1,673	8,433	10,244	13,256	17,596	21,669	23,063	12,522	13,128	4.8	141,101	
Net Income (Loss)	4,945	(2,097)	4,186	7,010	10,384	12,892	13,567	10,005	5,808	7,537	29.8	81,008	
Financial Condition													
Total Assets	¥ 353,776	¥ 300,073	¥ 284,800	¥ 310,793	¥ 335,290	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	¥ 368,088	8.0%	\$3,956,234	
Net Assets	153,498	144,176	140,944	156,210	167,092	196,620	205,083	200,554	184,599	195,344	5.8	2,099,570	
Interest-Bearing Debt	23,878	19,677	16,578	16,417	14,019	24,834	20,491	33,342	31,340	21,886	(30.2)	235,232	
	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	29.8%	\$ 0.63	
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	5.8	16.33	
Cash Dividends	8.0	8.0	8.0	9.0	10.0	15.0	18.0	17.0	16.0	16.0	0.0	0.17	
	%						%						
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	(4.5)		
Manufacturing Ratio (Operating Income)	11.3	(9.6)	21.4	19.2	16.4	20.5	22.3	24.4	15.5	35.4	19.9		
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	0.4		
Return on Equity (ROE)	3.4	(1.4)	2.9	4.7	6.4	7.1	6.8	4.9	3.0	4.0	1.0		
Net Worth Ratio	43.4	48.0	49.5	50.3	49.8	49.6	48.5	47.8	54.1	53.1	(1.0)		
Debt to Equity Ratio (Times)	0.16	0.14	0.12	0.11	0.08	0.13	0.10	0.17	0.17	0.11	(0.06)		

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2010

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

W: Wisdom I: Intelligence T: Technology

① WIT2000 (Reform)

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

② WIT21 (Promotion)

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

③ WIT2008 (Reinforcement)

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

④ "CHANGE" 11

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

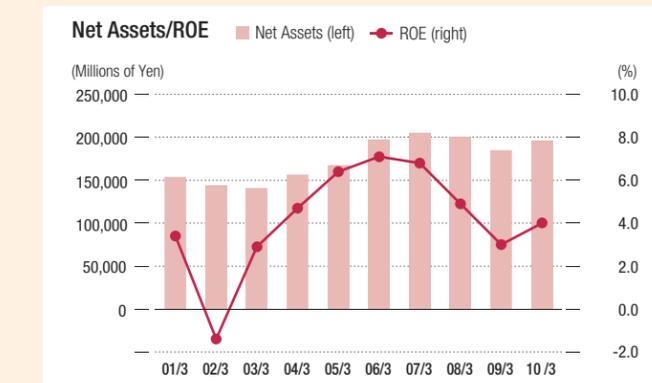
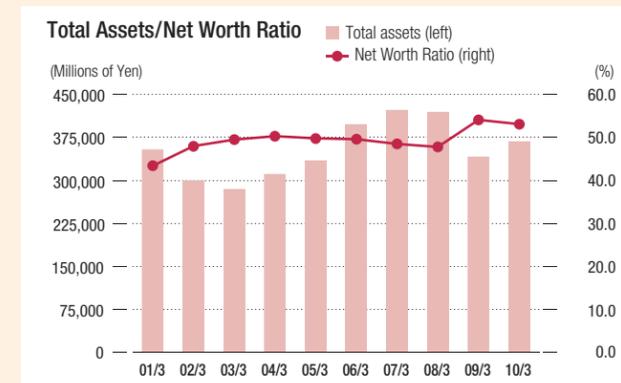
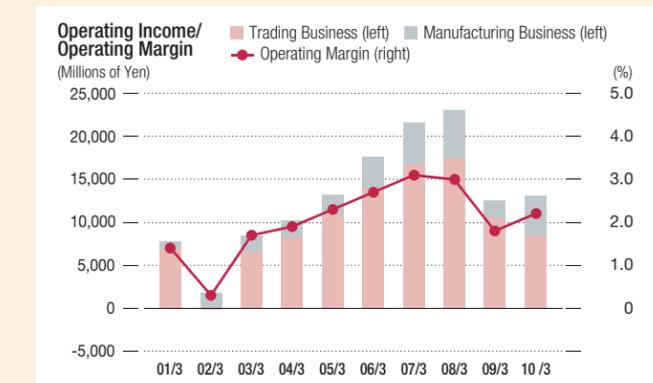
Net Sales by Business Segment



Net Sales by Region



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



Nagase will continue its process of renewal based on its management philosophy of “good and fair business practices,” as it aims to be a unique “technology- and intelligence-oriented company that turns wisdom into business.”

The chemical industry in which we operate is in the midst of a major transformation with the markets for crude oil and raw materials undergoing structural shifts as new petroleum plants go online in the Middle East and other areas. To respond to these developments, in April 2009 we formulated the medium-term management plan, “*CHANGE*” 11.

Thanks to all of our stakeholders, in fiscal 2009, the year ended March 31, 2010, and the first year of “*CHANGE*” 11, our core initiatives achieved firm results. Specifically, we endeavored to reorganize underperforming businesses through selection and concentration; to build businesses around environment- and energy-related technologies through M&A and other activities in key environmental fields; pursued M&A and capital investments to strengthen R&D and manufacturing functions; and promoted globalization by establishing overseas subsidiaries with local management.

In the fiscal year ending March 31, 2011, we will continue to apply our energies to these and other core initiatives. To this end, all directors will steadfastly execute their duties and each and every employee of the Group will act in unison, keeping in their sights the goal of being a unique “technology- and intelligence-oriented company that turns wisdom into business.”

July 2010

The Directors of Nagase & Co., Ltd.



Front row from left (seated)

Kyoichi Zushi, Representative Director and Senior Managing Executive Officer,
Hiroshi Nagase, Representative Director, President and CEO,
Makoto Tsuruoka, Representative Director and Senior Managing Executive Officer,
Reiji Nagase, Representative Director and Senior Managing Executive Officer

Back row from left (standing)

Toshiro Yamaguchi, Director and Executive Officer,
Kenichi Matsuki, Director and Executive Officer,
Kazuo Nagashima, Director and Managing Executive Officer,
Shingo Bamba, Director and Managing Executive Officer,
Haruyuki Niimi, Outside Director, **Iwao Nakamura**, Outside Director

The Nagase Group's Operating Environment

Q. Upstream in the petrochemicals industry, new plants have gone online in the Middle East, bringing a seminal change to the market structure. Could you tell us what that means for Nagase?

A. Nagase's business domains include electronic materials, pharmaceutical intermediates, biotechnology solutions and other fine chemicals as well as plastics and raw materials for paints and cleaning agents used in intermediate products (derivatives).

Derivatives are produced from ethylene, propylene and other basic products that are, in turn, made from the raw materials of naphtha and natural gas. This makes for a relationship where fluctuations in the supply and demand of basic products can exert an impact on derivatives.

As you can see in the graph to the right, demand for ethylene-based products in China in

2008 was for 19.8 million tons while the internal supply was 10.9 million tons. The resulting shortfall of 8.9 million tons was covered primarily by a structure wherein other countries, chiefly in the Middle East, filled in the gaps. We can see that this a motivating factor behind the rising number of new petrochemicals plants going online in the Middle East and elsewhere as makers rush to meet the surge in demand for petrochemical products associated with economic growth in China and the other BRICs countries as well as countries in Asia.

In 2009, a number of new petrochemical plants in the Middle East delayed the start-up of operations or revised their plans, including cancellations. Nevertheless, annual ethylene production in the Middle East is still expected to exceed 19.0 million tons in 2015 and the tide of major change, it is believed, will be maintained. There are two factors behind this: 1) the overwhelming cost advantage of ethane cracker from natural gas, which is many times lower than the cost of naphtha cracking; and 2) the region is achieving economies of scale, with a production capacity of over 14 million tons (2008 figures).

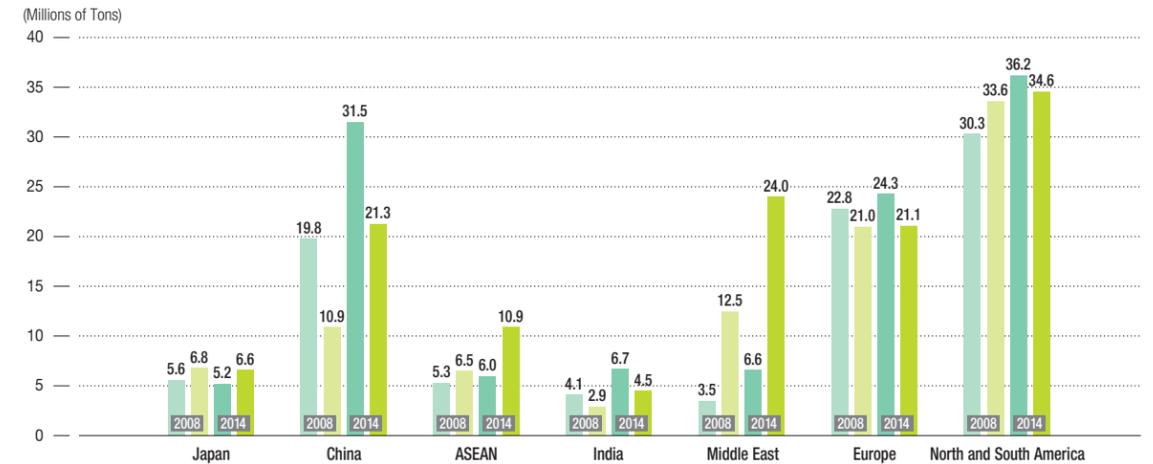
Indeed, we are seeing Middle East-based companies stepping up their petrochemicals-related investment in Asia, trends toward high-value-added products and the diversification of derivatives against a backdrop of employment generation. The pace of major change is therefore anticipated to accelerate after 2010.

Q. Given this market environment, where the pace of change is expected to quicken, could you please discuss the impact on Nagase and what countermeasures the Company should take.

A. With its overwhelming cost advantage, Middle East-produced ethylene has gradually gained a foothold in the market, and this encroachment has prompted changes in the production and equipment trends of every one of Japan's petrochemical makers. You could say that Nagase's business has felt the impact.

All of Japan's petrochemical makers have linked up with Middle Eastern state-owned resource companies like with the Rabigh Project* and have streamlined their existing equipment

Global Trends in Supply and Demand of Ethylene-Based Products



while working to establish ties with yet other companies. Looking to the future, if these Japanese makers' existing ethylene and other manufacturing plants were to close down, of course, the derivatives that Nagase uses would also cease to be produced. That's why Nagase is striving to establish close ties with every one of the Japanese petrochemical makers—we must secure supplies of derivatives for the Group's user companies.

Note: Petro Rabigh, a joint venture between Sumitomo Chemical Co., Ltd. and Saudi Arabian Oil Company (Saudi Aramco), is located in Rabigh, in the Kingdom of Saudi Arabia. Petro Rabigh operates an enormous integrated complex that simultaneously conducts petrochemical processing and production.

Q. What is the situation in the downstream market? Please give an example.

A. Performance in the fiscal year ended March 31, 2010 was marked by a notable recovery, particularly in the liquid crystal industry. Liquid crystal is an essential component of liquid crystal TVs and other digital devices, and the market for such TVs, just like the earlier-mentioned ballooning global supply and demand trends for ethylene-based products, is anticipated to grow even more, driven by Chinese demand and breaking through the 200 million unit level by 2013, according to research company DisplaySearch. When we take a look at such growth, of course competition will be fierce, but the battle for market share among companies in Korea, Taiwan, China and Japan is steadily escalating. The materials delivered by

Nagase are caught in the midst of incredibly severe price wars against the backdrop of this international competition.

Fiscal 2009 Business Performance in Review

Q. In the fiscal year ended March 31, 2010, Nagase reported a decline in sales, however, it also achieved increased income. Net sales fell 15.6% year on year to ¥603.9 billion, while operating income increased 4.8% to ¥13.1 billion, and net income jumped 29.8% to ¥7.5 billion. Please tell us about what characterized business performance during the year under review.

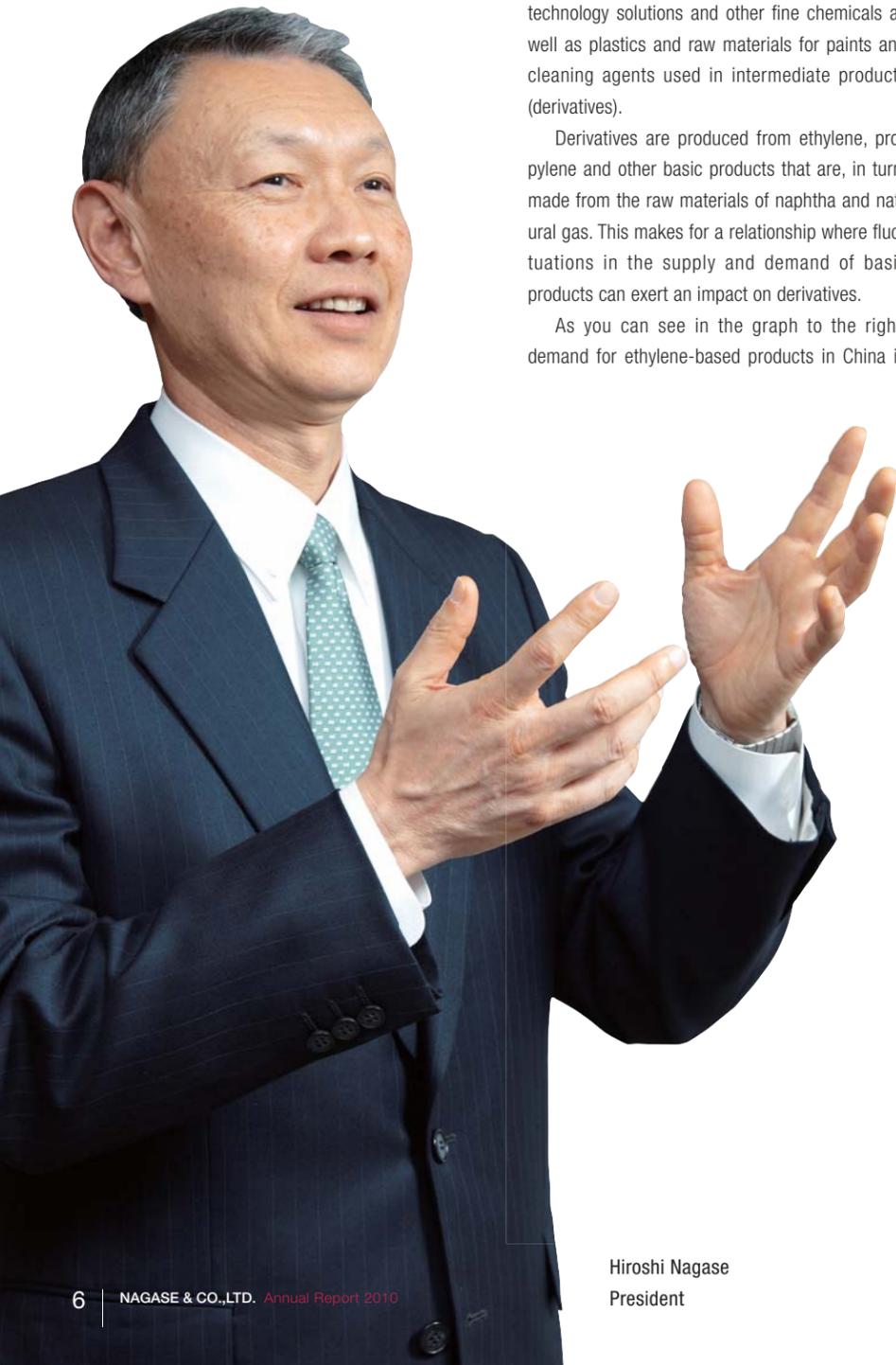
A. Three things exerted major influence over performance in fiscal 2009. The first was due to our overseas-based subsidiaries having settlement dates that end as of December 31, based on the calendar year, while ours in Japan end on March 31. This difference in fiscal year dates is important because included in the fiscal year under review were those subsidiaries' first quarter results, January to March of 2009—right when the world economy had bottomed out. This is what had the biggest impact on our results. The second thing was the appreciation of the yen. The Nagase Group has an overseas sales ratio that exceeds 40%, and, with the yen appreciating approximately ¥10 from the previous year, the effect was severe. The third item to note was that thanks to

an earlier than anticipated recovery in the liquid crystal and semiconductor industries, our main manufacturing subsidiary, Nagase Chemtex Corporation (please refer to page 22, Major Production/R&D Functions), was able to post favorable sales results for high-value-added products in both areas. This contributed greatly to Group performance.

Q. What were the performance highlights by segment and for each business? (For more detail on performance by segment, please refer to Nagase Group at a Glance on page 12.)

A. By segment, overall sales of Chemicals declined 9.9% year on year to ¥237.1 billion, while the overseas sales ratio was approximately 30%. Associated with the fall in naphtha prices in fiscal 2009 was a significant decline in unit sales prices. Our customers in this business cover a broad range of industries, so you should realize our business performance is linked to almost anything that happens anywhere in the world.

In Plastics, sales declined 24.7% compared with the previous fiscal year to ¥192.5 billion. This segment has an overseas sales ratio higher than that of other segments—about 60% in the fiscal year under review—consequently, it was hit hard by the factors I mentioned earlier, the overseas-based subsidiaries' different fiscal year dates and the impact of the strong yen. Another major factor holding back sales was the lagging recovery for



Hiroshi Nagase
President

customers in the office automation and automotive industries.

Electronics segment sales declined 13.4% to ¥117.5 billion, while the overseas sales ratio was approximately 40%. Although demand in the liquid crystal and certain other industries bounced back rather quickly, the lingering effects of economic stagnation from the second half of the previous fiscal year caused overall sales to decline. This had little influence on the earnings front, but performance was impacted by the reorganization of several businesses in the processing industry of South China.

Sales in Life Sciences declined 5.7% to ¥55.5 billion, while the overseas sales ratio was at about 20%. The impact on this segment was nominal,

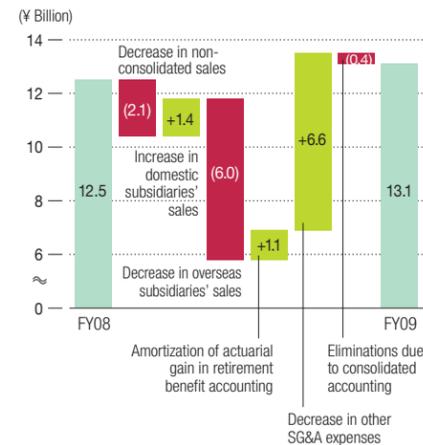
although sales of each product handled was affected on an individual basis.

Note: the overseas sales ratio is the ratio determined from net sales prior to consolidated eliminations.

Q. What were the factors behind the increase in operating income?

A. Factors behind the increase in operating income included a decline of ¥6.6 billion in selling, general and administrative (SG&A) expenses. Another major factor was one I touched on before, the improved earnings of Nagase ChemteX. With regard to the reduction in SG&A expenses, in about April 2009, the business environment was

Factors Influencing the Change in Operating Income



in a tailspin and at the time we foresaw decreased sales and income for fiscal 2009 as well. Given this, we made a plan to thoroughly reduce expenses, the execution of which received a boost with a cut in overseas business trips due to influenza fears at the time.

Looking Back on the First Year of "CHANGE" 11

Q. There are six core initiatives that comprise "CHANGE" 11: 1) select and concentrate businesses; 2) build businesses around environment- and energy-related technologies; 3) strengthen R&D and manu-

facturing functions; 4) promote globalization; 5) strengthen risk management; and 6) promote employee diversity and work-life balance. Could you provide a progress report on these initiatives and tell us about the key environment- and energy-related fields?

A. Please refer to Fiscal 2009 Status of Key "CHANGE" 11 Initiatives and Overseas Net Sales Ratios for more information on the progress of each initiative.

The basic strategy of "CHANGE" 11 is to "Improve the quality of business and operations." This expresses our recognition that we have no choice but to change in response to the



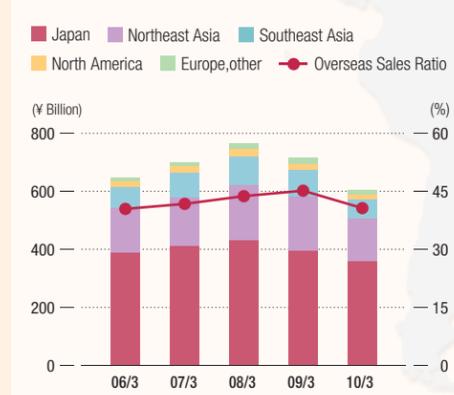
Fiscal 2009 Status of Key "CHANGE" 11 Initiatives and Overseas Net Sales Ratios

- Core initiatives for "CHANGE" 11**
- 1) Select and concentrate businesses
 - 2) Build businesses around environment- and energy-related technologies
 - 3) Strengthen R&D and manufacturing functions
 - 4) Promote globalization
 - 5) Strengthen risk management
 - 6) Promote employee diversity and work-life balance

- 5) Strengthen risk management**
- Continue enhancement of risk management structure to support product management when importing or exporting through initiatives that include formulation of internal rules to address the Foreign Exchange and Foreign Trade Control Law and revision to the Chemical Substances Control Law.
 - Began transfer of internal servers to an external data center as part of an IT business continuity plan (BCP)

- 6) Promote employee diversity and work-life balance**
- Childcare leave extended to male employees
 - Introduced twice-monthly no-overtime days

Net Sales and Overseas Sales Ratio to Net Sales



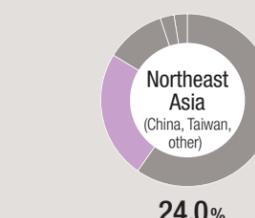
1) Withdrew from automotive molding business

4) Finalized a decision to establish a subsidiary in Mexico

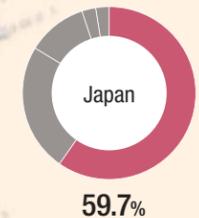


4) Commenced sales of resin additives to Petro Rabigh in Saudi Arabia

1) Commenced new business in the automotive field in India
3) Invested in a manufacturer of pharmaceutical intermediates in India



4) Expanded scope of business licenses of subsidiary in Vietnam



- 1) Select and concentrate businesses**
- Decided to cut back building material-related business
 - Actively invested in manufacturing in the life sciences field
 - Advanced a Groupwide battery-related project in the electronics field and promoted internal cooperation across different businesses in the LED-related field

- 2) Build businesses around environment- and energy-related technologies**
- Chemical recycling plant goes online in Sharp's "Green Front Sakai"
 - Organic fertilizer maker and marketer Kawai Hiryo Corporation becomes a wholly owned subsidiary
 - Acquisition of a lithium battery module developer
 - Established the Environment & Energy Office

*Pie charts represent ratios of sales in overseas regions to net sales for fiscal 2009.



recent global shifts in resources and the environment, combined with transformations within the Nagase Group in relation to bolstering its efforts toward globalization and its manufacturing functions, specifically to expand net sales and emphasize foreign trade.

Of these six initiatives, we place particular importance on environment- and energy-related areas, aiming for ¥130.0 billion in net sales generated by such businesses. Specific examples that represent Nagase's environment and energy-related technologies include its chemical recycling plant located within Sharp's "Green Front Sakai" in the industrial recycling field, business related to wind turbines that use epoxy resins and such others as battery and bio-refining* businesses.

Note: The battery field includes solar batteries and lithium batteries. Bio-refining encompasses plants and technologies to manufacture bio-fuels and resins as raw materials that can be recycled as biomass.

Q. Please tell us about your M&A activities in the bio-refining field.

A. In the previous fiscal year, Kawai Hiryo Corporation a Shizuoka Prefecture-based maker and marketer of organic fertilizer with net sales of several billion yen and upward of 20 employees, became a member of the Nagase Group through a

stock acquisition.

Kawai Hiryo produces and markets organic fertilizer from industrial biomass, namely, food waste like bean curd refuse, egg shells, poultry manure and dried kelp. This organic fertilizer—sold to 15,000 farms—is custom blended based on the results of analysis of each individual client farm's soil so as create an ideal fertilizer for soil and crops.

The business model employed by Kawai Hiryo takes into account every level of resource circulation: 1) the blending and sale of organic fertilizer made from food waste; 2) crop safety at each farm; 3) delivery to market; 4) the quality of processed food waste supplied by food processing companies and at the sales stage; and 5) the creation of recycled fertilizer from food waste.

Nagase has traditionally handled agricultural chemicals in the Life Sciences segment, and as such is naturally interested in agriculture. This M&A is a particularly good fit for both companies as it enables the development of an ideal business that can harness Nagase's forte in "enzymes" and apply it to the organic fertilizer blending process as well as leverage the Group's human resources and overseas network. The hard-working people who are involved in this call it the Nagase Eco Farm Concept.

Looking Toward the Second Year of "CHANGE" 11

Q. In fiscal 2010, Nagase anticipates increases in sales and income, with net sales up 7.1% year on year to ¥647.0 billion, operating income expanding 14.3% to ¥15.0 billion and net income rising 26.0% from previous fiscal year to ¥9.5 billion. Please tell us the basis for these numerical projections.

A. In fiscal 2010, we believe China and Asia will continue to play their pivotal role as drivers of an ongoing gradual recovery. However, it is impossible to be overly optimistic when we know that measures to stimulate the Japanese economy have run out of steam. Meanwhile, overseas, financial concerns wrack Europe and the future lacks clarity, even in wake of the Shanghai Expo in China.

In our main business segments, Plastics is projected to see increased sales on the back of recovery in demand for automobiles in Northeast Asia and other locations. Sales are expected to increase for Electronics as well, owing to a stable upward trajectory in demand from liquid crystal-related industries, and in response, the expansion of manufacturing functions and bases both in Japan and overseas. Also, our chemical recycling plant in Sharp's "Green Front Sakai" will be online for the full year, helping to drive an increase in sales. On the other hand, plant amortization is one of the factors that are working to suppress earnings.

In conclusion, because of the financial concerns with Europe and other factors I have mentioned that are contributing to instability in the business environment, the consolidated operating income target of ¥15.0 billion for the final fiscal year of the medium-term management plan may, depending upon conditions, need to be revised.

Q. What is Nagase's investment plan?

A. The "CHANGE" 11 plan calls for the investment of approximately ¥30.0 billion over three years. In fiscal 2009, we made investments totaling ¥10.7 billion, ¥6.6 billion of which went

to fixed assets, mainly the chemical recycling plant in Sharp's "Green Front Sakai" and facilities belonging to Nagase Logistics Co., Ltd.

In fiscal 2010 as well, we intend to continue to execute investments—approximately ¥10.0 billion—based on the key initiatives of "CHANGE" 11.

Corporate Governance

Q. Please tell us about the appointment and roles of outside directors.

A. Nagase treats the strengthening of corporate governance functions as an important management issue, and has always actively endeavored to appoint outside directors who have keen insights into the petrochemicals and manufacturing industries, and who have ample experience in corporate management. (Please refer to page 30 for corporate governance structure.)

Nagase's current outside directors, who also serve as independent directors, are Haruyuki Niimi and Iwao Nakamura, who respectively hold the positions of Chairman Emeritus, Showa Shell Sekiyu K.K. and Advisor, UD Trucks Corporation (formerly Nissan Diesel Motor Co., Ltd.). As corporate executives with practical viewpoints, these two outside directors offer the Board of Directors their pertinent opinions and advice from perspectives that are objective and professional, based on their in-depth understanding of world affairs and society as well as economic trends. In addition to their seats on the Board of Directors, they also diligently execute duties, performing such activities as participating in internal business briefings held twice yearly and inspecting Nagase ChemteX manufacturing sites.

Q. How is officer compensation decided upon?

A. Compensation for directors and executive officers is calculated based on officer compensation regulations, and decided upon through resolutions by the Board of Directors. Furthermore, to raise the levels of objectivity and transparency in the officer compensation determination process,

on May 1, 2010 Nagase established the Officer Compensation Committee. Upon consideration of adequate levels and systems for compensation, this committee reports and makes recommendations to the Board of Directors.

Q. Please tell us about Nagase's basic policies for M&A, business tie-ups and capital investments, and, with regard to these activities, what is the standard cut-off point whereby deliberation is handed up to the Board of Directors?

A. Nagase does not make investments for investments' sake. When we look at a prospect, we take into account the probability of favorable effects on and synergies with our core business and the generation of business opportunities. Upon confirming that a relationship of trust can be formed with the other company, we will keep in mind estimates made by discounted cash flow methods and make an overall decision.

The standard amount requiring deliberation at the Board of Directors level is ¥1.0 billion. However, as was the case with Kawai Hiryo Corporation—when it is not a typical investment but one of strategic importance—it will be considered by the Board of Directors, even if it is less than ¥1.0 billion.

For outside directors, we will explain the details of items for deliberation prior to Board of Directors' meetings in which they will attend. In addition, for major investment projects, such as the chemical recycling plant in Sharp's "Green Front Sakai," a situation report will be presented to the Board of Directors once every half fiscal year to confirm progress.

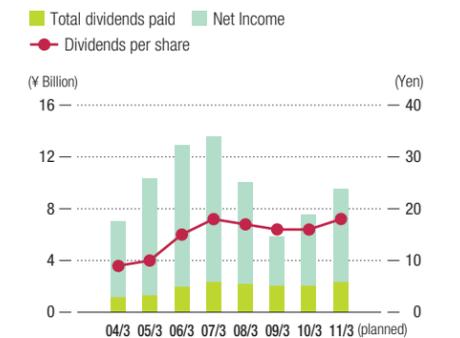
Shareholder Returns

Q. Nagase has determined that the year-end cash dividend per share will be ¥16, the same as the previous fiscal year. Please tell us about Nagase's dividend policy.

A. Based on a basic policy of returning profits to shareholders in a stable manner in line with the goal of further enhancing corporate struc-

ture and boosting earnings capabilities, Nagase's dividend policy is to pay dividends while comprehensively taking into consideration capital requirements and consolidated performance projected for the medium-to long-term to achieve future growth.

Dividends



Given the general state of the Nagase Group's businesses, at the present it may be difficult to secure a double-digit operating income ratio. However, in addition to strengthening manufacturing and processing functions, by reinforcing the Nagase Application Workshop (please refer to page 25), which works to bolster trading, as well as the Nagase R&D Center (please refer to page 24), which has the goal of building up manufacturing, our management goal is to be able to maintain a 5% operating income ratio.

We hope that shareholders will view Nagase's activities from a medium- to long-term perspective and continue to give us their understanding and support.

July 2010

Hiroshi Nagase
President

Nagase Group at a Glance

Segment	Departments	Department Overview	Main Products and Services	Customer Segments (by Business Scale)	Performance/Market Overview (Year Ended March 31, 2010)
Chemicals 	<ul style="list-style-type: none"> Colors & Imaging Department 	Whether analog or digital, data that exists anywhere in the world functions as information only when it is made available to people. Mainly involved in the handling of essential chemicals that are the functional materials that connect information and people, the Colors & Imaging Department contributes to society in a wide range of fields. This department is working to move away from simply selling products and, in each of its business areas, toward building a network backed by proprietary proposals that leverage the capabilities of the Nagase Application Workshop (NAW).	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	Performance in the domestic market improved from the first half due to recovery in the digital display industry. In the second half, recovery in both the digital display and automotive industries boosted performance, resulting in an improvement year on year. Despite a delayed recovery in the thermal toner industry and the impact of exchange rate fluctuations, overseas performance was steady, underpinned by favorable conditions in the game machine-related and functional inner wear industries.
	<ul style="list-style-type: none"> Performance Chemicals Department 	Providing a broad range of items, from naphtha-derived petrochemical products to high-value-added products, this parent department enhances Nagase's core functions by further strengthening its business base. The department's four mainstay businesses are coating materials, urethane, plastic materials and filters, with each business recognized by the market as a leader in its field. In addition, in response to the globalization of customers, the department strives, with a global perspective, to offer products and services that can provide the functions that the market demands.	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	Performance during the first half of the fiscal year under review was sluggish due to such factors as the impact of the global economic slowdown from the fall of 2008 onward leading to inventory adjustments and reduced operations in customer industries as well as a drop in product prices. In the second half, against a backdrop of a pickup in Asia centering on China, a trend toward recovery was maintained, albeit unstable. Overall, however, the result was a decline year on year in both full fiscal year net sales and operating income. In the Performance Chemicals Department, however, we worked to secure a firmer foothold for our existing businesses and closely collaborated with partners in Japan and overseas through the sharing of industry analysis information on how to respond to significant business environment changes in the domestic petrochemical industry due to the major expansion of petrochemical production facilities currently under way in the Middle East and China. These initiatives met with success, the steady business activity contributing to solid performance related to, for example, the creation of new import products businesses and an expansion in export business for customers' overseas bases.
	<ul style="list-style-type: none"> Speciality Chemicals Department 	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—to the surfactant and organic synthesis industries. In addition, the department supplies the materials for semiconductors, batteries and LCD and is expanding its business base in the field of electronics. Leveraging its accumulated knowledge of chemicals, the department is focusing efforts on supplying raw materials to new businesses in such cutting-edge fields as electronics, the environment and energy.	Petrochemical products, raw materials for industrial oil solutions, surfactants and surfactant raw materials, fluorochemicals, raw materials for encapsulants, plating chemicals and silicones, electronics chemicals, Nagase ChemteX Corp. products and personal care products	Organic synthesis, surfactant, semiconductor and battery industries	Performance in the liquid crystal- and semiconductor-related fields in the fiscal year under review experienced growth that was significantly stronger than initial forecasts, and objectives were achieved thanks to a rapid increase in demand in China, including for flat-screen TVs, personal computers and mobile phones. Exports also surpassed expectations, despite a strong yen, buoyed by such factors as the commercialization of products developed specifically for South Korea and India.
Plastics 	<ul style="list-style-type: none"> Advanced Polymers Department 	The Advanced Polymers Department offers plastics and plastic processed goods, related auxiliaries, equipment and facilities to, for example, the office automation (OA), electric and electronics as well as appliance industries. 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.	Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings	Office automation (OA) equipment, electrical, electronics, consumer electronics industries	Impacted by the global economic downturn, the market environment surrounding the Advanced Polymers Department in the fiscal year under review was one of production adjustments for makers of office automation equipment, consumer electronics and electronics. Similarly affected, materials manufacturers were forced to adjust production and reduce inventories. Consequently, secondary issues, such as delivery difficulties were occasionally encountered. In the fourth quarter, although the market was on a recovery track, driven by strong Chinese domestic demand for flat-screen TVs, uncertainty about the future remained. As a result, the Advanced Polymers Department achieved its annual sales target according to plan, even if it was equivalent to only 80% of that recorded in the previous fiscal year.
	<ul style="list-style-type: none"> Automotive Solutions Department 	The Automotive Solutions Department is constructing a uniform service structure in Japan and overseas capable of handling everything from sales of automotive materials, products and equipment to component design, the development of prototypes and the production of moldings. The department also acts as a purchasing agent for its customers' domestic and overseas facilities. In addition to further global development focusing on emerging countries, the department is exploring new technologies related to eco-friendly vehicles, including electric automobiles.	Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and moldings, software engineering, battery cell modules and electronics components	Automotive industry	The downturn in the global automotive industry significantly dragged down first-half performance. Fortunately, measures designed to encourage new car purchases around the world met with success, with markets showing signs of recovery from the latter part of the first half through the second half. This spurred the department's recovery in net sales to about 80% of the previous fiscal year level. The markets in China and Thailand, in particular, showed recoveries that drove sales to eclipse those of the pre-Lehman Shock boom, compensating for the stagnation in the Japanese market. In addition, the department endeavored to develop new commercial materials for eco-friendly automobiles, establishing footholds in such new fields as those related to fuel cells.
	<ul style="list-style-type: none"> Polymer Products Department 	Renamed in April 2009, the Polymer Products Department has since then been transforming its business into the development and marketing of unique products, anchored mainly by functional films and sheets and plastic molding products. With the aim of integrating its trading and manufacturing activities, the department has established a process R&D base in the Shanghai region of China while supporting a structure that, in its own right, functionalizes film sheet, for example sheet forming, surface treatment and secondary processing. New developments include SunMorfee V, a bromine-less flame retardant insulating sheet marketed globally in alliance with cooperating makers, heat-conducting SunMorfee T sheet and a newly developed plastic component for LED lighting. In addition, the department is concentrating its efforts on developing applications for and expanding sales in Japan and the rest of Asia of a copolyester from the Eastman Chemical Company.	Functional films and sheet, copolyester plastics, surface defect detection machines and plastic molding products	Electronics, toiletries and general merchandise and functional films and sheet industries	Sales of functional film, as exemplified by SunMorfee V, remained on track in the fiscal year under review, targets for both net sales and operating income being achieved.
Electronics 	<ul style="list-style-type: none"> Electronic Chemicals Department 	The Electronic Chemicals Department, which has seven manufacturing companies in Japan and overseas making up its business, manufactures materials—including modified epoxy resins and high-grade chemicals—within the Nagase Group and sells them, along with related equipment and manufacturing control systems, to the semiconductor, liquid crystal, electronic component/automotive and solar cell industries. The department is quick to tackle environmental issues, and proactively works on solutions that conserve resources and involve recycling. Overseas, with operations in China, Taiwan, South Korea and Singapore, the department is aggressively expanding with the aim of creating highly profitable businesses that integrate trading company and manufacturing capabilities.	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, semiconductor, electronic component, heavy electric, automotive, solar battery and other industries	In accordance with the recovery in the components industry from the first half onward, centered on the liquid crystal panel industry and mobile phones, there was a rapid early recovery in the modified epoxy resin and chemicals businesses in fiscal 2009. The strong industry of the first half continued into the second half, and new materials (liquid resin for semiconductor encapsulation, solar cell insulating materials and linear-related products) that had been undergoing development over many years made significant contributions to performance. Targets for both net sales and operating income were achieved.
	<ul style="list-style-type: none"> Electronic Materials Department 	The Electronic Materials Department leverages its domestic and overseas network to handle sales of optical films and other materials used in liquid crystal displays, semiconductor wafer- and HDD-related materials, as well as materials for LEDs and solar cells, both of which are expected to be growth areas. In addition to a traditional trading function, the department is aggressively developing new businesses overseas, such as optical film and glass processing and the manufacture of LEDs and their associated assemblies.	Liquid crystal display bodies, (LCDs) and materials for organic light-emitting diodes (OLEDs) and optical film, processed glass products, precision abrasive materials, hard disc-related materials, LED products and their assembling and mounting businesses, solar cell-related materials	Display, semiconductor wafer, hard disc, touch panel, LED and solar cell industries	Although the Electronic Materials Department's major fields of displays, semiconductors and HDDs all recorded performance recoveries, both net sales and operating income were down from the previous fiscal year. The touch panel-related business (formerly the Display and Electronics Components Department) recorded a slight increase thanks to the expanding sales of new products. In contrast, the semiconductor wafer- and hard disc-related businesses (formerly the Electronic Media Department) saw decreased revenues due to the impact of the industries' downturn.
Life Sciences 	<ul style="list-style-type: none"> Fine Chemicals Department 	The Fine Chemicals Department provides a broad range of products and services related to healthcare, food and habitat, such as pharmaceuticals, biotechnology solutions, agricultural chemicals and living environments, in the field of life sciences, which forms one of the key strategic areas throughout the Company. Particular efforts are devoted to developing high-value-added products that leverage the Group's comprehensive strengths in trading, R&D and manufacturing.	Pharmaceuticals (active pharmaceutical ingredients [APIs]), intermediates, raw materials, formulations, excipients, in vitro diagnostics (bulks, instruments & kits), research products, medical equipment, agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (bulks, formulations), animal health products, enzymes, fermentation products, household goods (raw materials, products), functional food ingredients, health food materials, food additives, nutritional supplements, feed, and feed additives	Pharmaceutical, in vitro diagnostic, household product, food/feed chemical and agricultural chemical industries	The fiscal 2009 performance targets were drawn up based on those of fiscal 2008, which were not greatly affected by the economic downturn. There was a roughly six-month time lag before the effects of the downturn were felt, and its effects appeared only gradually, thus business development stuttered in the second half. Consequently, although net sales were as planned, the operating income target was not attained, pushing back the development of value-added items. The Bio Products Division failed to meet either its planned net sales or operating income objectives, the latter also due to the postponed development investment. In the Organic Fine Chemicals Department, although the products of an affiliate company in the pharmaceutical business intended for development failed to post business results, the positive effects from sales of existing in-house and imported products enabled both net sales and operating income plans to remain on track. Furthermore, strong exports to the United States meant the diagnostics agents business achieved its sales and income goals.
	<ul style="list-style-type: none"> Beauty Care Products Department 	In keeping with its business philosophy—contributing to the creation of a beautiful, healthy and prosperous society by providing safe, high-quality products and services that enhance beauty inside and out—the Beauty Care Products Department manufactures and sells cosmetics, and health foods for the consumer market. At the Nagase R&D Center in Kobe, many years of proprietary research have produced such patents as that for a rosemary ingredient that is top-rated both in Japan and overseas. In addition, sales development is primarily undertaken by a team of 40,000 sales personnel who sell door-to-door throughout Japan. The department also operates beauty salons across the country as bases for sales visits. These salons offer enhanced counseling services and facial services using state-of-the-art skin analyzers.	Cosmetics (including skin care counseling and facial care service) and health foods	General consumers	Conditions in the domestic market for cosmetics and health foods remained harsh in the fiscal year under review with the slow pace of recovery in personal consumption still weighing heavily. Consequently, although we were able to maintain cosmetics performance on par with the previous fiscal year thanks to new product launches, health foods stalled, resulting in reduced sales and income

Note: With regard to the Information & Functional Materials Department previously included in Electronics, from April 2009, to achieve a greater level of synergy, each business in that department was transferred to the following three departments: Speciality Chemicals in the Chemicals Segment; Automotive Solutions and Eco-Materials & Products in the Plastics Segment; and Display & Electronics Components in the Electronics Segment. The Information & Functional Materials Department was then eliminated. In accordance with the transfers to these departments, the Display & Electronics Components and the Eco-Materials & Products departments changed their names to the Electronic Materials and Polymer Products departments, respectively. Because the "Others" segment is omitted, figures showing the composition of net sales and operating income in each business do not add up to 100%.



Colors & Imaging Department

Hiroshi Hanamoto
Executive Officer; GM, Colors & Imaging Department

With plenty of room remaining for economic growth overseas and the expectation that M&A and business tie-ups will accelerate within this industry, the Colors & Imaging Department will proactively undertake M&A's and other actions with a view to establishing overseas production bases; improving quality control functions to ensure the trust of customers; and stepping up overseas product procurement.

Fiscal 2009 Strategies and Results

Implementing "CHANGE" 11 involved the following three objectives: creating a business model that builds on the Nagase Group's competitive advantages; promoting a business model in which additives determine the principal materials; and shifting to a business structure that allows us to respond to any change in the external business environment. In fiscal 2009, we made proposals to brand owners in the display, business equipment, and game console industries that will lead to new business opportunities. Currently, these efforts are progressing steadily. We are also improving quality-control functions in order to carry out consigned production overseas, which is progressing smoothly. In addition, we are bolstering alliances with leading medium-sized chemical makers, with efforts in this area including undertaking investments in these companies. Such business relationships, which are integral to Nagase's business promotion efforts, are beginning to take shape.

TOPICS
Nagase has developed print molding that does not require paint or plastic coloring and has proposed commercializing this technology for game console-type health appliances.

Strategic Initiatives in Fiscal 2010

In consideration of this department's main business of handling functional materials for mature industries in Japan, we will continue to focus on the expansion of business fields, the reinforcement of alliances with strategic partners, and response to environmental changes. In particular, through Nagase's unique proposals to brand owners, we are promoting market expansion and further strengthening our relationship with current partners.

Performance Chemicals Department

Toshiro Yamaguchi
Director and Executive Officer;
GM, Performance Chemicals Department

Fiscal 2009 Strategies and Results

In fiscal 2009, we implemented company-wide strategies outlined within "CHANGE" 11, pivotal to which were the following three specific select and concentrate businesses: the strengthening of overseas businesses and upgrading of infrastructure; the reinforcement of manufacturing functions; and the bolstering of development functions. In terms of the strengthening of overseas businesses and reinforcement of manufacturing functions, we have begun making proposals to customers. This involves conducting surveys and analyses concerning the future of the petrochemical industry in light of the rapid restructuring occurring within this industry worldwide. Through the activities of global coating teams, we are also developing worldwide networks in the coating business while taking steps to increase the skill level of our staff.

These efforts are evident in our aggressive pursuit of business activities, including the mutual introduction of new materials. Furthermore, we are promoting the plastic additives business in the Middle Eastern area by upgrading infrastructure related to such areas as local logistics functions following the launch of large-scale petrochemicals plants. Keeping a close eye on emerging markets in the urethane industry, we have started planning the establishment of overseas production bases in addition to those already built in China and Indonesia. In the filter business, we have begun investigating the establishment of cleaning facilities overseas in order to bolster functions abroad.

In terms of development functions, we are accelerating measures in

such areas as biomass, eco-friendly raw materials for paint, and additives that reduce energy costs under the keywords "energy and the environment." We are also pursuing the development of commercial materials in the area of flame retardants.

TOPICS

- In the coating material business, we launched a task force called "Global Coating Team" (GCT) with the aim of further reinforcing businesses with international companies that are expanding production bases worldwide. GCT staff conduct training through the Nagase Application Workshop (NAW) to improve employee capabilities. These activities ensure the provision of services worldwide that have a quality equivalent to that offered in Japan.
- We are pursuing new themes that include the development of value chains centered in production-related biomass, carbon nanotubes and other areas. This is being accomplished through the cooperation of NAW, Nagase R&D Center and affiliated manufacturing companies.

Strategic Initiatives in Fiscal 2010

In fiscal 2010, the Performance Chemicals Department will accelerate overseas business development as it redeploys human resources centered on businesses cultivated in Japan. To this end, we will build new value chains in response to structural changes in the global petrochemical industry following commencement of new petrochemical plant operations in the Middle East and China. In addition, we will reinforce overseas raw-resource procurement activities through a project being undertaken jointly with the Chemicals Business.

In the urethane business, we aim to build new businesses targeting BRICs and other emerging countries, while in the coating material business, we will investigate the establishment of overseas contract production bases in order to strengthen manufacturing functions. Also, in cooperation with universities and research institutes located in various countries, we will build new businesses in the carbon nanotube and biomass fields, which are expected to grow in the future.

Speciality Chemicals Department

Mitsuro Naba
Executive Officer; GM, Speciality Chemicals Department

Fiscal 2009 Strategies and Results

With a tight focus on customers, solutions that draw on the Nagase Group's wide-ranging expertise have propelled the Speciality Chemicals Department to major successes in such areas as new business acquisition and the

expansion of new business-development proposals. We also increased the number of development proposals in such areas as electrolytes and cathode and anode materials by establishing new project teams focusing on batteries. This work, in turn, led to the establishment of a foothold in battery-related businesses, which are expected to grow from fiscal 2010 onward. Also, we utilized the Shanghai Techno Center's analysis functions to expand the number of development proposals made in response to numerous inquiries received from customers about undertaking procurement from China, a move that, in turn, led to business growth.

TOPICS
Novozymes Biologicals' Microbial Formulations

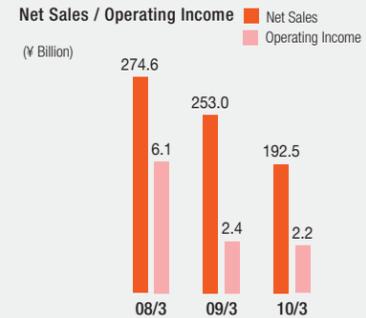
Novozymes Biologicals began the full-fledged marketing of its microbe-compound products in 2009, which are an improvement over conventional products blended with chemicals due to being chemical-free and eco-friendly. Utilizing pure-culture and stabilization technologies cultivated over many years, Novozymes Biologicals uses highly safe microbes, the compounds of which can be changed depending on intended use. Microbe compounds can help solve problems related to public and industrial wastewater facilities and are also useful in industrial and household cleaners and deodorants. Developing new functional formulations utilizing biogas production systems, Novozymes Biologicals is expanding the use of this technology in such areas as sewage treatment plants, the livestock industry and food-processing facilities.

Strategic Initiatives in Fiscal 2010

With both marketing and production functions, the Speciality Chemicals Department set a goal of continuously growing through its high-value-added chemicals.

We will strive to increase the synergistic effects of the Speciality No. 3 Department, which was transferred from the Electronics segment in fiscal 2009. At the same time, we will strengthen our ability to solve customer problems by cooperating further with other departments and Nagase ChemteX to leverage the Group's diverse array of upstream through downstream information. In addition to further upgrading the NCC Shanghai Techno Center Co., Ltd., which is highly rated by customers, we will promote the development of unique technologies and products that are geared toward markets in the United States and Europe by closely working with other departments. Involving mainly the use of chemical-free substances and natural materials, this initiative will be undertaken under the keywords, "the environment and energy."

Plastics



Advanced Polymers Department



Ichiro Wakabayashi
Executive Officer, GM, Advanced Polymers Department

Fiscal 2009 Strategies and Results

During the fiscal year under review, we focused on expanding our business foundation, applying resources to critical fields and improving our structure for high profitability.

To expand our business foundation on a consolidated basis, we strengthened the sales structure of engineering plastics at overseas bases and Group companies while reinforcing the strategic alliance with the office automation industry. In the domestic market, we specified targets through closer contact with super-engineering plastic makers.

In applying resources to critical fields, we made definitive efforts in strategic regions. In Nagase's strategic region of South China, we established a representative office in Guangzhou for our joint venture, Nagase Wahlee Plastics Corp. Together with this, we will collaborate with Nagase (Hong Kong) Ltd. and Guangzhou Nagase Trading Ltd. for further growth.

In Vietnam, another strategic area, the plastics compound factory we completed through a joint venture, Dainichi Color Vietnam Co., Ltd. is off to a steady start. In an effort to strengthen our business base, we upgraded the Hanoi office to a subsidiary and reinforced personnel there. As a result, we succeeded in acquiring new business from local Japanese companies, which are enjoying profitable operations.

With regard to improving our structure for high profitability, we promoted collaboration between our Group manufacturing company Setsunan Kasei Co., Ltd. and Nagase Application Workshop (NAW) to facilitate environment-friendly businesses, including recycling and polylactic resin. Other departments commenced collaborative business operations with office automation makers. Furthermore, we are progressing with the transfer of Setsunan Kasei's Kansai-based factory, the aim of which is to establish a compounding plant that meets customer needs more accurately. The plant is scheduled to commence operations in August 2010.

We have transferred control of our domestic sales structure to Nagase

Plastics Co., Ltd. in an effort to strengthen this structure. To that end, functions and divisions related to Nagase Plastics Co., Ltd.'s efforts to strengthen the domestic sales structure and the Advanced Polymers Department's global sales support and overseas alliance strengthening functions will be explicitly separated.

TOPICS



Dainichi Color Vietnam Co., Ltd. handles the coloring and compounding of resin materials



Expanding manufacturing and sales network in China

Strategic Initiatives in Fiscal 2010

We are committed to becoming a business entity that optimally integrates development, manufacturing and sales functions. To this end, we will take steps to reorganize our plastics sales structure in Japan while maintaining and bolstering our consolidated business structure.

In terms of sales functions, we transferred our domestic sales functions to Nagase Plastics Co., Ltd. and are maintaining and expanding structures for plastic sales capable of flexibly meeting customer needs. At the same time, specializing in product-specification proposals activities that focus on export functions and office automation users, Nagase's headquarters is augmenting alliances with its overseas subsidiaries that operate as production bases.

Turning to manufacturing functions, we will strive to develop the eco-business and the super-engineering plastics business through collaboration with Setsunan Kasei and NAW. To that end, we will implement the plan to transfer Setsunan Kasei's Kansai factory, and with this company we will work to aggressively develop products that have environmental and energy-related market potential. In addition to Group companies, we will cooperate with other departments with the aim of undertaking measures related to advanced polymers in general and actively expanding into new segments.

Automotive Solutions Department



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

Fiscal 2009 Strategies and Results

In the Automotive Solutions Department, the development of materials for eco-friendly vehicles and the early launch of components businesses are goals outlined in "CHANGE" 11 that must be achieved. Entry into the battery-module business through the acquisition of lithium ion battery module development businesses was a notable event in fiscal 2009. With further expansion overseas being unavoidable, we increased personnel in China and the ASEAN region while developing markets in India and Mexico. In addition, we decided to establish a plastic-components production base in North America and began preparations for this purpose.

TOPICS



"Deck Board," a lightweight board used for automobile trunks, a Nagase Group resin product for automobiles

Strategic Initiatives in Fiscal 2010

In fiscal 2010, the Automotive Solutions Department is striving to maintain and expand its core resin sales business guided by the keywords "weight reduction." Moreover, we are focusing on rapidly and boldly launching new projects involving batteries and other related products, which was set as a strategic theme outlined in "CHANGE" 11.

Nagoya Branch Office

Most Japanese domestic automakers and automobile parts manufacturers are concentrated in Japan's Chubu district, which centers on Nagoya. As Nagase's local base of operations in this district, the Nagoya Branch Office plays an important role in Nagase's automotive business. Currently, almost 70% of our sales are related directly and indirectly to automobiles. In non-automotive areas, we primarily deal with major local companies involved in handling pharmaceuticals, cosmetics ingredients, coating and color materials and plastics.

Strategies in Fiscal 2010

From fiscal 2009, the sales groups from the Nagoya Branch Office came under the direct control of each department in the Nagase headquarters. This structure enables the Nagoya Branch Office to realize the smooth implementation of business strategies in the Chubu district and has ensured the ability to offer professional, detailed information to customers in each segment. In fiscal 2010, each branch will work together to expand our businesses in the Chubu district, taking an approach that involves each department.

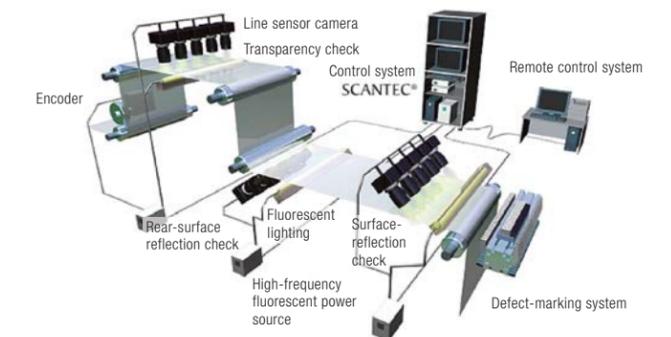
Polymer Products Department



Kenji Nagafusa
GM, Polymer Products Department

Fiscal 2009 Strategies and Results

Promoting selection and concentration under "CHANGE" 11, we specialize in the development and sales of functional film sheets. As a result, we made progress in the use of SunMorfee V and SunMorfee T for products focusing on LCD TVs, power-supply devices and lighting equipment. In addition, Nagase's own Scantec® film-sheet surface-defect inspection system is contributing to quality assurance for customers who produce the film sheets used in LCDs and optics.



Strategic Initiatives in Fiscal 2010

In fiscal 2010, we will first aim to design, develop and commercialize functional films and sheets as well as plastic molding products in conjunction with Nagase Group companies. Next, we will commence global marketing activities for electronic materials in collaboration with other departments. Furthermore, we will strive to establish a framework capable of accumulating within the Group technologies and technical information centered on our technology-development base in Shanghai.

In line with these efforts, we will focus on the electric appliance, toiletries, sundry goods and medical markets, along with the functional films and sheets markets, while actively developing environment and energy-related LED lighting and battery chargers that have growth potential.

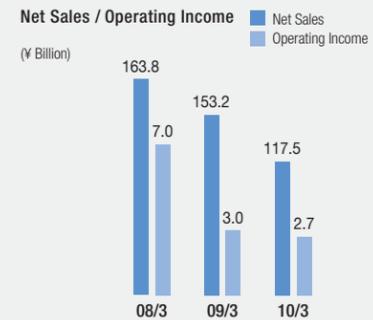
TOPICS

Expanding Application of SunMorfee V

SunMorfee V is an eco-friendly flame retardant polycarbonate insulating sheet (film). Boasting the world's highest flame retardant properties, SunMorfee V contains no brominated or phosphorus flame retardant agents. SunMorfee V will be promoted as an insulating material used in various electrical products, such as around power sources, inverters and under substrates.

- The world's highest flame retardant properties**
Containing no brominated or phosphorus flame retardant agents, achieves UL94 V-0 at 0.40mm (UL file number: E301813)
- Eco-friendly materials**
Containing none of the six substances banned under the Restriction on the Use of Hazardous Substances (RoHS) Directive, this product uses materials conforming with Europe's Blue Angel Mark.
- Features polycarbonate-derived heat-insulation properties and maintains mechanical and electrical characteristics**
UL RT (1 long-term heat-resistance temperature: 100,000 hours/insulation-breakdown voltage) certified at 130°C (0.1mm and above). Maintains polycarbonate heat-insulation properties (heat-distortion temperature: 130°C)

Electronics



Electronic Chemicals Department



Tomitaka Ito
Executive Officer; GM, Electronic Chemicals Department

Electronic Materials Department



Kohei Sato
GM, Electronic Materials Department

Fiscal 2009 Strategies and Results

The Electronic Chemicals Department set the goal of establishing a new business model as a trading company that has maker's capabilities, as outlined in the medium-term management plan, "CHANGE" 11. Our electronic chemicals plant, built within the premises of Sharp Corporation's "Green Front Sakai" has been expanding its production volume since commencing operations in October 2009. Detailed negotiations are moving forward regarding the production of epoxy resins in Europe and the United States, which is a necessary step according to "CHANGE" 11. In addition, Nagase ChemteX Corporation, which administers this department, is promoting the development of three-dimensional mounting for semiconductors under a theme of integrating Nagase ChemteX Corporation's key elemental technologies, epoxy resin photosensitive materials and bump molding.

Strategic Initiatives in Fiscal 2010

The Electronic Chemicals Department aims to establish a new business model as a trading company that has a maker's capabilities, such as technologies and manufacturing capabilities for chemicals, resins and junctions. In the epoxy resin-related business, which provides products used in various industries, we are actively pursuing development in areas with growth potential, including products produced by resource-conservation businesses, components used in HEV and electric vehicles, and products for photovoltaic generation, wind power generation and mobile phones.

Having reached the limit to which the physical width of semiconductor pre-processing lines can be narrowed, we will offer to customers a packaged version of our three-dimensional mounting technology—a key elemental technology for us that promises to facilitate innovations—which encompasses epoxy, photoresist developers and bump services.

TOPICS



Nagase ChemteX Corporation, the Group's domestic production base for chemicals used in the LCD and semiconductor processing sectors

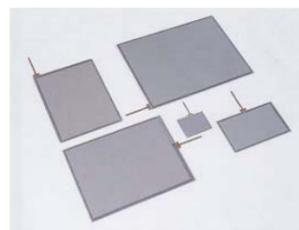


Nagase ChemteX (Wuxi) Corp. engages in the production of materials and adhesives for electronics goods

Fiscal 2009 Strategies and Results

Within the display industry, the Electronic Materials Department strived to reinforce domestic and overseas sales of optical films, touch panel modules and LCD backlight modules while enhancing the production and processing business.

In the semiconductor wafer and HDD-related fields, we focused on providing products and services demanded by customers in our core businesses while striving to develop new businesses. Moreover, under the keywords "the environment and energy," we promoted the expansion of LED-related material sales and the mounting/assembly businesses. At the same time, we focused on the sale of crystal-type solar battery materials and the establishment of the processing business.



TOPICS

The touch-panel market has rapidly expanded following a rise in demand for such devices as smartphones and compact laptop computers. This growth has contributed significantly to the performance of touch-panel modules and other products.

Strategic Initiatives in Fiscal 2010

In fiscal 2010, we will make every effort to promptly anticipate changes in the market structure and environment in our core businesses of displays, touch panels, semiconductor wafers and HDDs. Based on this, we will strengthen our unique solution services, including production and processing capabilities, in pursuit of mutual development with customers. Furthermore, in our efforts to meet current social needs we will promote environment-friendly, energy-related businesses, including business related to LEDs and solar batteries, to contribute to society and the global environment.

Life Sciences



Fine Chemicals Department



Masuhiro Nojiri
Executive Officer; GM, Fine Chemicals Department

Beauty Care Products Department



Takaaki Hirai
Executive Officer; GM, Beauty Care Products Department

Fiscal 2009 Strategies and Results

During the year under review, we restructured our business and the department while transferring human resources to development projects that include biotechnology-based medicine, drug discovery, unnatural amino acids, generic drugs and Nagase ChemteX's enzymes. Furthermore, we decided to make capital investments in the India-based company ZCL Chemicals Ltd. to reinforce the Nagase Group's manufacturing capabilities. As part of our environmental businesses, we use biomass, effectively utilize previously untapped natural resources, commenced the "Nagase Eco Farm" Concept, and acquired Kawai Hiryo Corporation in order to deepen our involvement in the recycling business.

TOPICS

Pharmaceutical Administration Team Takes a Role in Guaranteeing the Reliability of Imported Pharmaceuticals

The Pharmaceutical Administration Team plays a central role in the Department's quality-guarantee structure. This structure is based on the good manufacturing practices that pharmaceutical manufacturers abide by in response to revisions made to the Pharmaceutical Affairs Law in April 2005 in the areas of packaging, labeling and storage. The team provides high-quality and safe pharmaceutical raw materials through the use of cutting-edge analytical equipment.



Strategic Initiatives in Fiscal 2010

In fiscal 2010, we will place emphasis on enhancing the Group's collective strength and overseas production bases to secure a leading position in the life science industry. In order to do so, we will address issues raised by the integration and restructuring of industries that is taking place on a global scale. Furthermore, continuing from fiscal 2009, we will make aggressive investments, including in the areas of capital investment, M&A and technology imports, to strengthen the life science business, one of Nagase's strategic fields. In fiscal 2010, we will establish a Bio Solution Team (BST) within the Bio Products Division in order to bolster collaboration in each department and promote the biotechnology business company-wide.

Fiscal 2009 Strategies and Results

During the fiscal year under review, we focused on the following four areas: (1) We trained 23 sales managers (distributors), a number that was 77% of our target. (2) We added approximately 3,000 new sales personnel, up 60% year on year. (3) We cooperated with other departments to achieve sales of the AUTOLIFTER-N, a new liquid cosmetic product developed jointly with Nagase Medicals Co., Ltd., that were 151% higher than those of our previous liquid cosmetic, SANAJU AW EXCELEN. In addition, the new oral care product ORACONTI, developed in collaboration with the Speciality Chemicals Department, performed solidly, exceeding sales targets by 21%. (4) In terms of overseas expansion, we opened our first Chinese cosmetic sales outlet in Dalian City through our collaboration with Shanghai Nagase Trading Co., Ltd.

TOPICS

In the Collagen Network line-up we released AUTOLIFTER-N in October, 2009, a new concept in liquid cosmetics that enhances the elasticity of and moisturizes the skin.

AUTOLIFTER-NAUTOLIFTER-N

Quasi-drug 30ml
¥12,500 (tax included)
This product features a blend of innovative ingredients, including extracts of water eggplant grown in the Senshu area of Osaka prefecture and black beans produced in Japan's Tamba region as well as rosemary extract FV, an extract specially cultivated by Nagase.



Strategic Initiatives in Fiscal 2010

In fiscal 2010, we aim to increase sales by focusing on the training of managers (distributors) and increasing sales personnel. Such actions involve promoting the following three policies: Creation of a comfortable workplace, nurturing the next-generation staff, and building a network of coworkers. We will also promote the development of a new sales system that uses the Internet and other means to facilitate business development in China. Leveraging Nagase's proprietary materials, such as rosemary, we will promote product development based on known efficacies of ingredients and elicit the latent strength of the human being, namely homeostasis. By doing so, we will contribute to people's beauty and to health care.

Greater China (GC) Business



Osamu Morishita
Executive Officer; CEO, China

Nagase's Greater China Business consists of 8 sales companies, 10 branches and offices, 14 manufacturing companies and 4 service companies located in China, Taiwan and Hong Kong. With approximately 2,100 Group employees forming the foundation of these operations, business expansion is centered on chemicals, life sciences, plastics, automobiles and electronics. Under the theme of furthering our entry into the growing Chinese market, we are undertaking market development that extends the provision of quality information, service and distribution networks from coastal China to the country's midwestern and northeastern regions.

Fiscal 2009 Strategies and Results

In fiscal 2009, net sales dropped 23.0% year on year to ¥1,44.86 billion due to the impact of the global recession and high yen rates. However, amid swift market recovery in China, overall growth and breakthroughs were achieved by local manufacturing subsidiaries as well as by each type of service business.

Starting from Taiwan and Hong Kong, Nagase's Greater China business has been gradually expanded northwards to inland China. On the back of overall economic development in China, we have focused on the establishment and expansion of business bases inland. As a result, our sales share in China, Taiwan and Hong Kong topped 40% in fiscal 2009. Sales in the eastern China area grew further, owing to collaboration between the sales and manufacturing subsidiaries. Beyond business activities that have been instigated in eastern China area to date, we are commencing life sciences-related business activities in northern China area.

Thanks to the local subsidiaries of Nagase ChemteX Corp and Nagase Colors & Chemicals Co., Ltd. as well as to the processing and assembling bases operated by the Plastics and Electronics departments, the profit contribution rate of major manufacturing companies exceeded 10% in fiscal 2009.

One of the key roles of Nagase's overseas subsidiaries is to follow up on the overseas transfer of business on the back of Japanese companies' production activities overseas. We also focused on the expansion of the so-called "local specs in business," a style of business based on the way of carrying out local business operations at local subsidiaries. At the same time, we prioritized the selling of products directly to businesses based in China, Taiwan and Hong Kong through our locally based businesses.

Under the flag of promoting diversity, we are also deepening our relationship with leading companies in this market (including electronic, chemical and environment-related makers), owing primarily to the efforts of the local staff. Consequently, we have made noticeable progress in our efforts to build connections with high-performance materials, fine chemicals and energy-related (power generation, saving, transmission and storage sectors) businesses.

Strategies in Fiscal 2010

With the slogan of "One area, one goal and original business created by knowledge and enthusiasm," we are aiming to expand the dimensions of our original business

introduced in China through the collaboration of people from China, Hong Kong, Taiwan, Japan and other areas. Focusing on the Chinese market, with its high growth potential, we will promote business development by making maximum use of the environmental and production-related technologies of Japan, the business development capabilities of Taiwan and the financing functions of Hong Kong.

In addition to the core automobile, electronics and life science businesses, we will focus on environment-related fields encompassing solar power, wind power and LED lighting to expand our business structure from a mere agency type to one providing multiple services with manufacturing capabilities. In order to do so, we will proactively seek possibilities for new investments in promising areas, while leveraging the capabilities of Group manufacturing companies. Simultaneously, we will promote industrial-academic themes in cooperation with Tsinghua University and Fudan University.

Ever mindful of risk management as we develop business operations in China, we offer training to local officer candidates through educational courses and programs under which they may be dispatched to the headquarters or local offices. Together with this, we will strive to reinforce business foundations through the proactive strengthening of bases in western and northern China where full-scale market development is expected.

TOPICS

In 2002, Nagase Colors & Chemicals Co., Ltd. established Shanghai Techno Center as a local support base for textile dyeing. Now STC offers not only a variety of dyestuffs testing but also the assessment and analysis of chemical raw materials and chemicals upon the request of each Nagase department. Such services include assessment and analysis of China-made chemical raw materials to be exported to Japan; chemical materials properties testing before shipment and quality inspections of imported goods upon the request of Chinese customers. With over 30 highly capable technical staff, we had over 3,500 orders in fiscal 2009. These services add high functional value to our activities as a special chemical trading company, significantly contributing to the Group's growth in the chemical business.



ASEAN & the Middle East Business



Masao Hidaka
Executive Officer; CEO,
ASEAN Region/India

Building upon the ASEAN business' existing framework, we are carrying out regional business strategies through eight sales companies, eight branches and offices and seven manufacturing companies covering eight countries, which encompass India and the Middle East. Specifically, we are implementing augmented business operations in the Middle East by upgrading the Dubai base—which previously was a part of the Singapore Representative Office—into the Dubai Branch Office.

Fiscal 2009 Strategies and Results

Under the medium-term management plan "CHANGE" 11, which began in fiscal 2009, fiscal 2010 has been positioned as a year for building a foothold for six core initiatives. Of these, we focused particularly on: (1) "select and concentrate businesses," (2) "build businesses around environment- and energy-related technologies" and (3) "strengthen R&D and manufacturing functions." Beginning with "select and concentrate businesses," we identified and withdrew from simple-supply and low-functioning businesses. We also strengthened profitability-management functions while closing and withdrawing from unnecessary representative offices and businesses investments. In particular, we closed the Delhi Representative Office and opened a new one in Gurgaon in order to pursue businesses with growth potential in India. Furthermore, we invested in a local manufacturing intermediary with the aim of expanding pharmaceutical- and agricultural chemical-related businesses.

Second, regarding "build businesses around environment- and energy-related technologies," we strived to develop themes for solar battery-, water processing- and palm oil-related businesses, all of which focus on recycling. We will implement further measures in fiscal 2010 in order to realize these themes.

Third, turning to "strengthen R&D and manufacturing functions," we expanded on themes centered on environment- and energy-related businesses by focusing on activities undertaken by Nagase Finechem Singapore (NFCS), which is engaged in manufacturing and recycling chemicals in Singapore. Moreover, we will work to expand businesses by assigning full-time employees to ASEAN and the Middle East businesses with the purpose of increasing sales of products produced by Nagase ChemteX, a key manufacturing base of the Nagase Group.

On the operational front, impacted by the global economic downturn, performance declined, particularly in the first half of fiscal 2009. Consequently, net sales fell 24.4% year on year to ¥67.71 billion. Looking ahead, we will aim for further growth by bolstering risk management, improving communication under the "CHANGE" 11 key phrases that focus on ASEAN and the Middle East, "Change Individual Minds" and "Change Business Quality," and by striving to increase the level of customer satisfaction through the provision of faster services.

Strategies in Fiscal 2010

We will strive to expand business operations by augmenting the themes developed in fiscal 2009 for environment- and energy-related businesses, which include solar battery-, water processing- and palm oil-related businesses. Such activities will be undertaken based on the Plastics Business—which focuses on existing automobiles, consumer electronics and office automation—the Chemicals Business—which centers on additives and paint sold to the Middle East along with dyestuffs and dyes used by the ink industry—and the Electronics Business—which sells products to the semiconductor and liquid crystal industries.

Our regional strategies involve taking advantage of new business opportunities by enhancing business bases in India and the Middle East, and by penetrating the markets of Australia and New Zealand. In terms of industries, we will focus on the pharmaceutical-related businesses, as we promote the expansion of our operations and territory.

In the course of business expansion, we will place utmost importance on risk management, including internal control, and take steps to strengthen management functions and avoid risk through the Regional Business Center (RBC).

Regarding the sixth initiative of "CHANGE" 11, "promote employee diversity and work-life balance," we will continue with the policy begun in fiscal 2009 of dispatching local staff to headquarters for training. In addition, we will undertake a variety of educational programs in cooperation with headquarters.

TOPICS

In 2008, we launched Nagase Vietnam Co., Ltd., which was fully capitalized using foreign capital and realized full-scale sales activity in fiscal 2008.

Having developed a number of synthetic processes and analysis methods, Nagase ChemteX undertook capital investment in ZCL Chemicals Limited, a local manufacturer of pharmaceutical intermediates, for the purpose of augmenting its business in India. We expect this capital investment will result in reinforced cost-competitiveness to meet increasingly diversifying needs in the pharmaceutical industry.

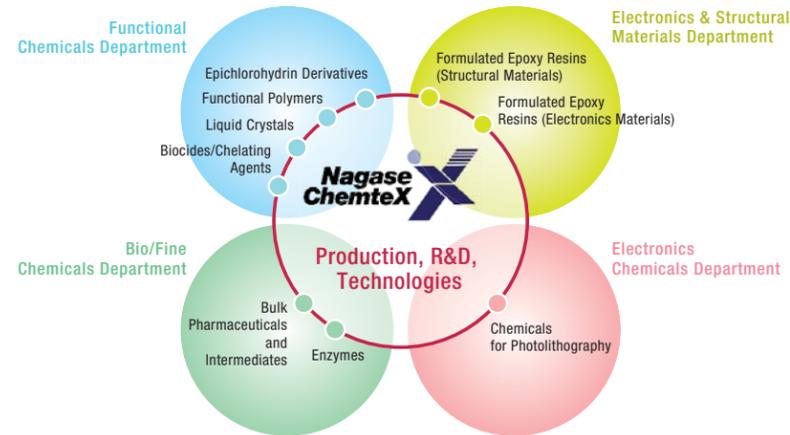


Nagase ChemteX



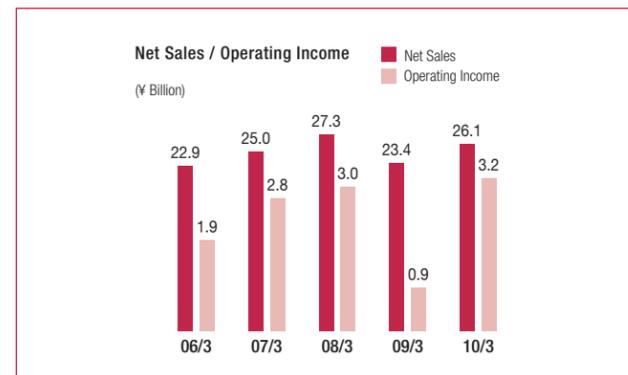
Nagase ChemteX
President Mitsukuni Mori

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



Fiscal 2009 Performance

In fiscal 2009, net sales rose 12% year on year to ¥26.1 billion, while operating income increased 244% to ¥3.2 billion. Sales in the life science business remained on par with the previous fiscal year, but growth in sales of products for the electronics industry, such as those for flat-panel displays (FPDs) and semiconductors for mobile phones, resulted in substantially increased revenue. There were significant gains on the earnings front, due to the particularly favorable sales of high-value-added products, chiefly for large-screen LCD TV applications.



Production Structure

In Japan, we completed the construction of an extra high-voltage power receiving facility at our Harima Plant, where we produce a variety of electronics-related products and performance chemicals. The new facility has worked to stabilize power supplies and to reinforce the company's infrastructure. In addition, we expanded our compounding facility for organic conductive materials and made provisions for market expansion in the display field. At our Fukuchiyama Factory, which produces items related to the life sciences, we reinforced facilities for pharmaceutical materials. Against the backdrop of the Sakai Plant, which is located on the premises of Sharp's "Green Front Sakai," Osaka, acquiring certification for its "resource productivity reform plan," we launched the full-scale production of such chemicals as stripping agents. In addition, activities designed to encourage energy reduction at all our offices produced results.

Overseas, we augmented our formulated epoxy resin manufacturing facilities at Nagase ChemteX (Wuxi) Corporation and steadily increased the production and sale of smart grid heavy electric machinery, contributing to performance.



Extra high-voltage power receiving facility



Compounding facility for organic conductive materials

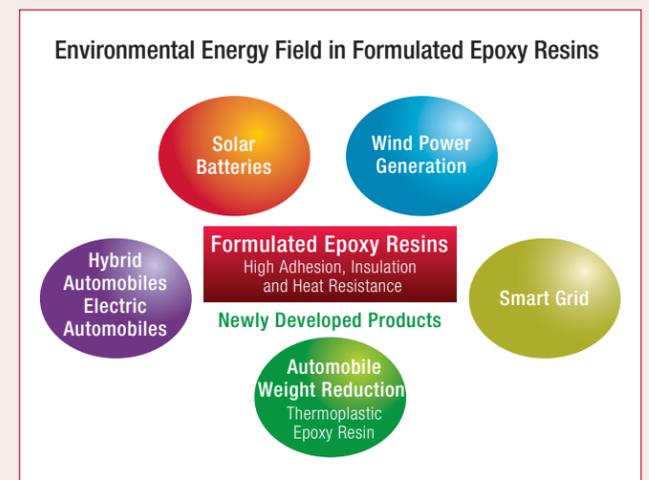
R&D Structure

Nagase ChemteX's R&D structure, which employs a total of 140 staff members, comprises product development teams within divisions as well as an R&D Division working company-wide.

In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. In the electronics field, we proactively engaged in such areas as opto-electronics materials, organic/inorganic hybrid materials, nanotechnology materials and environmentally conscious plastics. In organic hybrid materials, the company has been particularly successful in the development of optical lenses and transparent materials for organic LED lighting. When selecting a development theme, we built up a picture of market needs through Nagase's sales departments and took advantage of the synergies in cooperating with R&D and trading company functions.

Business Overview of Fiscal 2009
Electronics & Structural Materials

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



Electronics Chemicals

The Electronics Chemicals business handles a broad array of photolithography chemicals for the semiconductor and LCD industries. We recorded a significant increase in revenue during fiscal 2009, due to rapid economic recovery in the

FPD industry, including in demand for LCD TVs and market expansion, as well as the full-scale launch of a plant on Sharp's "Green Front Sakai." Furthermore, in accordance with the trend toward using copper wiring in LCD panels for large-screen TVs, we developed a unique stripping solution for copper wiring, which has enabled us to take the lead in this core market.

Functional Chemicals

In fiscal 2009, we realized the global sales expansion of epichlorohydrin derivative for tire cords, as customers in such countries as South Korea, China, Vietnam, Turkey and Thailand increasingly adopted it. In addition, we advanced the development of low-chlorinated, high-purity epoxy products to meet needs in the electronic materials field. Leveraging its advanced characteristics, sales of special acrylic ester copolymer as semiconductor adhesive grew both in Japan and overseas, including for new applications. High-functional fluorene derivatives for FPDs, Denatron electroconductive polymer and raw materials for LCDs recorded significant increases in sales and profits, due to the rapid recovery of the global economy and market expansion.

Bio/Fine Chemicals

Our efforts to generate new applications for active pharmaceutical ingredients and intermediates enabled us to increase the number of contract production items. In addition to developing unnatural amino acids, we succeeded in commercializing the manufacture of pharmaceutical intermediates by means of an environment-oriented response-type process that utilizes our proprietary biotechnological catalyst. In the enzyme business, we commenced sales and expanded our business in new enzymes to meet customer needs, thanks to our actinomycete high-expression technology. We also expanded our lineup of phospholipid products, which utilize our proprietary phospholipid converting enzyme, and made progress in the market development of applications for our health foods and cosmetics.

Strategic Initiatives in Fiscal 2010

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

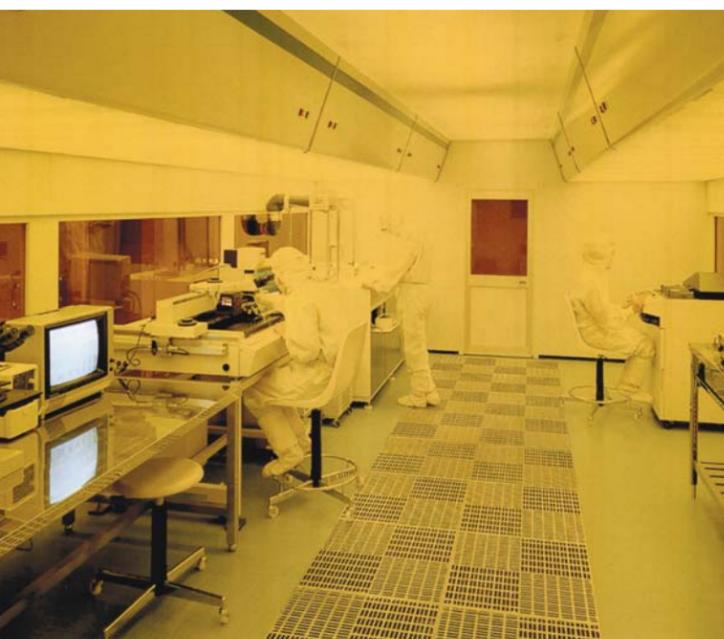
Focusing on the electronics, life sciences, automotive and environment-related fields, we will strengthen our capability to develop unique technologies by leveraging a number of elemental technologies. Together with this, we will strive to create new businesses and products to meet diverse global needs. We will place particular emphasis on the environment-related businesses—encompassing solar batteries, hybrid vehicles, wind power generation and recycling—as well as on initiatives designed to reduce product weight. Our efforts will be geared to increase the new product commercialization ratio as well as the eco-friendly product ratio in all new product lineups.

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

Nagase R&D Center



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



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

1. Process development technologies
① Develop production methods for unnatural amino acids by utilizing Maruoka Catalyst™ (asymmetric phase-transfer catalyst)
② Develop functional peptides utilizing chiral compounding technologies
2. Biotechnology (microorganisms, enzymes)
① Identify new enzymes through a ready-to-use microorganism library
② Achieve highly efficient protein production by utilizing genetic engineering
③ Produce substances by utilizing enzymatic reaction technologies
④ Develop various chemicals by utilizing genetically modified microbes
3. Natural materials development and application technologies
① Identify and evaluate new ingredients for health foods and cosmetics
② Develop formulation methods for cosmetics and health foods
4. Drug discovery support technologies
① Develop multicolor live cell imaging for drug and food evaluation
② Develop reagent kit screening for receptors in humans
③ Develop RNAi-related technologies (repression of l:sequence specific gene)
5. Analysis and evaluation technologies
① Analyze imported active pharmaceutical ingredients according to the Japanese Pharmacopoeia in compliance with GMP standards and establish specifications

Achievements in Fiscal 2009 Product Development

- (1) Expansion of the pharmaceutical intermediate contract production business based on unnatural amino acid technology
- (2) Launch of actinomycete-derived new enzyme (chitinase)
- (3) Launch of Auto Lifter N serum

Technological Results

- (1) Establishment of functional amino acid production method
- (2) Establishment of aqueous process for highly efficient phospholipid production
- (3) Cultivation of actinomycete high-expression technology using a newly discovered strength promoter
- (4) Development of fat absorption inhibitor effect of seaweed polyphenol

Intellectual Property Administration and Usage

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

	During Fiscal 2009		Cumulative Total (as of March 31, 2010)	
	In Japan	Overseas (2)	In Japan	Overseas
Patent applications filed (1)	14	8	789	382
Patent rights established (1)	8	2	161	178

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

Strategic Initiatives in Fiscal 2010

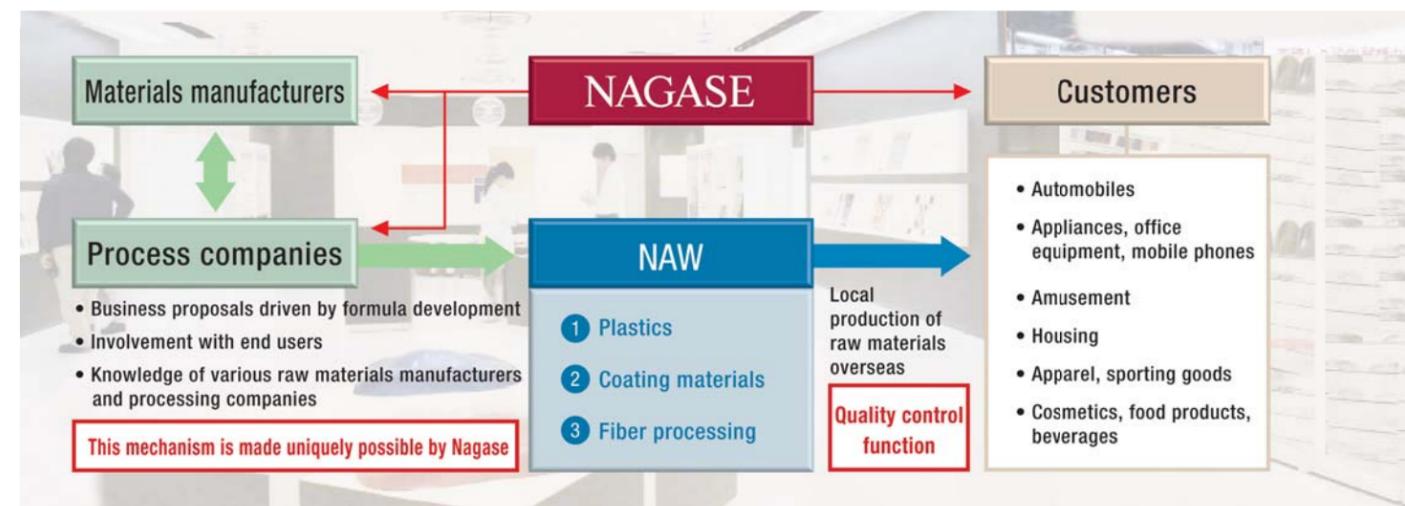
On the product development front, the Nagase R&D Center is making a significant contribution to related departments (Fine Chemical Department and Beauty Care Products Department) as well as to related maker Nagase ChemteX, helping to realize the goals of the "CHANGE" 11 medium-term management plan.

In fiscal 2010, we will place the top priority on the launch of several new enzyme products as well as building connections for the natural amino acid contract production business. In technological development, we will leverage microorganism and biotechnology-related technologies, which have been cultivated for 70 years, to further explore their diverse use in the life sciences, environment and energy fields. Simultaneously, we will take the initiative in creating new businesses with our proprietary actinomycete technology. Furthermore, with the aim of accelerating R&D activities, we are creating a strong tie-up with Kobe University (a cooperative bioproduction base for a next-generation agriculture project sponsored by the Ministry of Education, Culture, Sports, Science and Technology) to bring about open innovation.

Nagase Application Workshop



The Nagase Application Workshop (NAW) facility is where, jointly with customers, we integrate experiments encompassing function and efficacy evaluation with the study of materials and additives related to plastics, coating materials and fiber processing as well as data analysis and application development. NAW was born of necessity in the course of adding R&D, manufacturing and processing functions to our conventional base as a trading company, advancing a switch from our previous sales model focused on materials exploration to one that is driven by application proposals and joint development. In offering such technological support, NAW is not only providing unparalleled functions that only Nagase is capable of providing, it is helping to move the Company beyond its status as a trading company.



Principal Functions



① Plastics
Formula design function carried out by expert technicians, test production of compounds centered on a twin-screw extruder, properties assessed using all types of assessment equipment

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



② Coating Materials
Coating and ink composition design function carried out by expert technicians, test production of coatings and inks using all types of assessment equipment, properties assessed using all types of assessment equipment

(Equipment)
• Two painting booths
• Disperser (paint conditioner, bead mill)
• UV curing system



③ Fiber Processing
Dye composition design suited to various fiber materials carried out by expert technicians, dyeing testing carried out by machine, properties assessed using all types of assessment equipment

(Equipment)
• Minicolor dyeing machine, shaking-type dyeing machine, printing screens

Results from Solutions Proposed

Solution Area	Medium-Term Sales Target
Plastics • Development of electrically conductive plastics, primarily carbon nanotube • Development of PC plastic formulas for LED lighting • Development of automotive polypropylene materials, etc.	¥1.4 Billion
Coating materials • Development of coating materials for thermal paper • Acquisition of new export trade rights for coating raw materials • Began newly importing coatings, etc.	¥1.0 Billion
Fiber processing • Technology development for the digital printing sector • Development of own products for new synthetic fibers • Development of automotive interior dyes	¥1.0 Billion

Future Priority Areas and Project Themes

Priority Areas	Project Theme Examples
• Development of eco-friendly materials (plastics sector)	▶ Recycling, biomaterials
• Development of eco-friendly materials (coatings sector)	▶ Reduced use of oil
• Development of a next-generation dyeing system	▶ Digital printing
• Development of high-performance plastics in niche sectors	▶ High thermal conductivity, heat release, electrical conductivity
• Color design marketing	▶ New decoration technologies

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.

In the “CHANGE” 11 medium-term management plan launched in fiscal 2009 (ended March 31, 2010), Nagase laid out its vision of the future for each stakeholder.



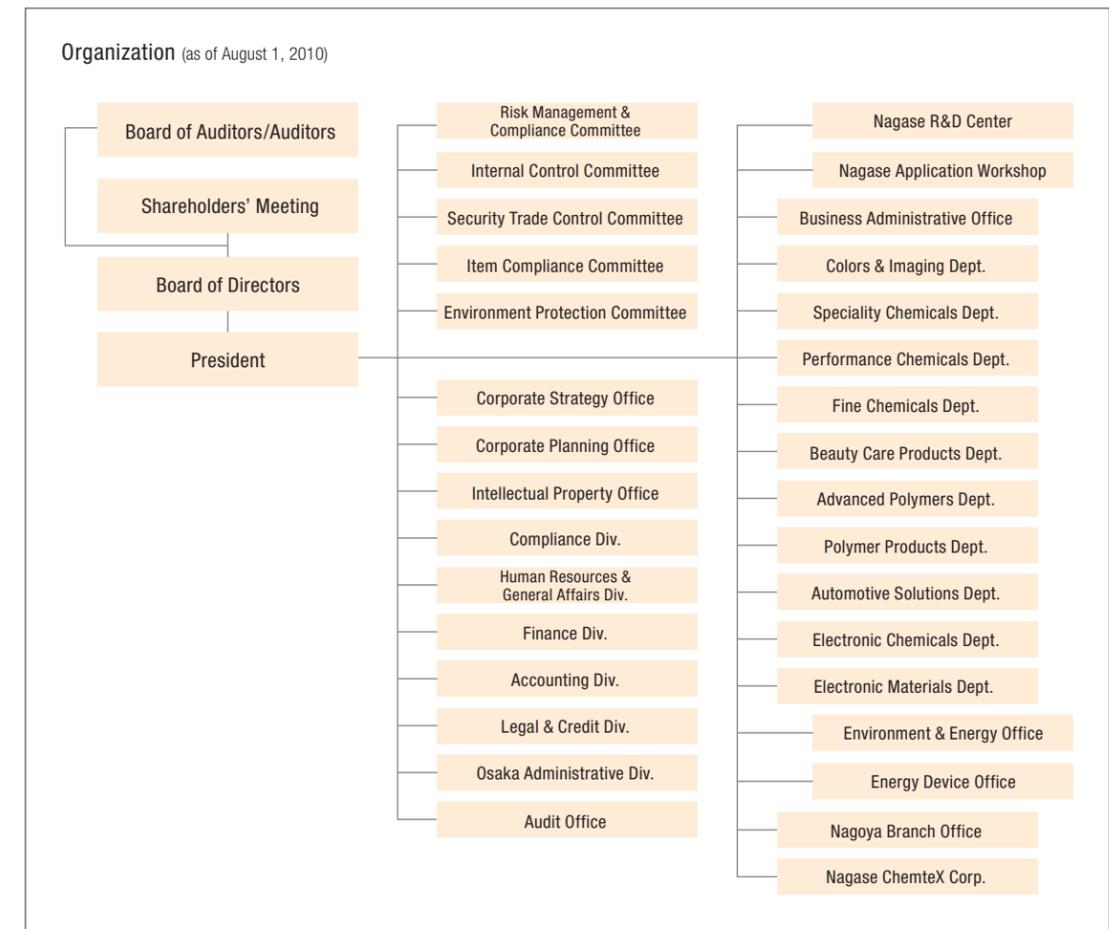
Management Philosophy

“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.



Director



Hiroshi Nagase

Representative Director,
President and CEO

1977 Joined Nagase & Co., Ltd.
1989 Director
1997 Representative Director
1999 Current position



Makoto Tsuruoka

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

1971 Joined Nagase & Co., Ltd.
2003 Director
2006 Current position



Kyoichi Zushi

Representative Director and
Senior Managing Executive
Officer
GM, Fine Chemicals
Department, Beauty Care
Products Department,
Research & Development
Center

1971 Joined Nagase & Co., Ltd.
2003 Director
2008 Current position



Reiji Nagase

Representative Director and
Senior Managing Executive
Officer
GM, Advanced Polymers
Department, Automotive
Solutions Department,
Environment & Energy Office,
Nagoya Branch Office

1994 Joined Nagase & Co., Ltd.
1995 Director
2010 Current position



Shingo Bamba

Director and Managing
Executive Officer
GM, Colors & Imaging
Department, Speciality
Chemicals Department,
Polymer Products
Department

1970 Joined Nagase & Co., Ltd.
2008 Current position



Kazuo Nagashima

Director and Managing
Executive Officer
CEO, America, Europe GM,
Electronic Chemicals
Department, Electronic
Materials Department

1973 Joined Nagase & Co., Ltd.
2004 Current position



Kenichi Matsuki

Director and Executive
Officer
GM, Legal & Credit Division,
Compliance Division, Audit
Office, Human Resources &
General Affairs Division,
Osaka Administrative
Division, Intellectual Property
Office

1974 Joined Nagase & Co., Ltd.
2009 Current position



Toshiro Yamaguchi

Director and Executive
Officer
GM, Performance Chemicals
Department, Business
Administrative Office,
Nagase Application
Workshop

1974 Joined Nagase & Co., Ltd.
2010 Current position

Outside Directors



Haruyuki Niimi

Outside director

1960 Joined Showa Shell Sekiyu K.K.
1985 Managing Director, Showa Shell Sekiyu K.K.
1993 Senior Managing Director, Representative Director
and Vice President, Showa Shell Sekiyu K.K.
1995 Chairman, Showa Shell Sekiyu K.K.
1998 Chairman and President, Showa Shell Sekiyu K.K.
2004 Current position



Iwao Nakamura

Outside director

1966 Joined Nissan Motor Co., Ltd.
1995 Director, Nissan Motor Co., Ltd.
2000 Managing Director, Nissan Motor Co., Ltd.
2002 Representative Director and President,
Nissan Diesel Motor Co., Ltd.
(currently UD Trucks Corporation)
2009 Current position



Hideo Yamashita

Standing 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



Tetsuwa Konishi

Standing Corporate Auditor

1972 Joined Nagase & Co., Ltd.
2007 Current position



Takahide Osada

Standing Corporate Auditor

1974 Joined Nagase & Co., Ltd.
2009 Current position



Toshio Takano

Corporate auditor
(outside corporate auditor)

1987 Deputy General Manager of the Special Investigation
Department of the Tokyo District Public
Prosecutors Office
2001 Superintendent Public Prosecutor of the Sendai High
Public Prosecutors Office
2004 Superintendent Public Prosecutor of the Nagoya High
Public Prosecutors Office
2006 Takano Law Firm
2008 Current position

Executive Officers

Mitsukuni Mori
Managing Executive Officer
President, Nagase ChemteX Corp.

Masuhito Nojiri
Executive Officer
GM, Fine Chemicals Department

Masao Hidaka
Executive Officer
CEO, ASEAN Region/India

Hiroshi Hanamoto
Executive Officer
GM, Colors & Imaging Department

Tomitaka Ito
Executive Officer
GM, Electronic Chemicals Department

Kazuo Mitsuhashi
Executive Officer
Nagase ChemteX Corp.

Ryuji Mise
Executive Officer
GM, Legal & Credit Div., Compliance Div.

Mitsuaki Ito
Executive Officer
GM, Business Administrative Office

Mitsuro Naba
Executive Officer
GM, Speciality Chemicals Department

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

Osamu Morishita
Executive Officer
CEO, China

Ichiro Wakabayashi
Executive Officer
GM, Advanced Polymers Department

Takaaki Hirai
Executive Officer
GM, Beauty Care Products Department

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

Business Execution Framework

Under a corporate system that adopts a Board of Auditors, Nagase introduced the executive officer system in June 2001. The Company's current management framework consists of ten directors (including two outside directors), 21 executive officers (eight of whom concurrently serve 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 meet-

ings, 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 managers' meetings and discussing each division's presentation of status.

In light of the importance of securing objective supervision and guidance on its management, Nagase set up an Advisory Board to secure advisors from outside the Company.

Furthermore, Nagase established following committees to reinforce its corporate governance function.

The Compensation Committee, established on May 1, 2010, has outside directors as its majority, and secures the Company's directors' and executive officers' objectivity and transparency in the decision-making process regarding compensation by screening the appropriateness of every compensation level and the compensation system to report and make recommendations to the Board of Directors.

As a consultative body for the Board of Directors, the Risk Management & Compliance Committee establishes and strengthens risk management and compliance systems that cover not only legal compliance but also corporate ethics.

The 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.

The Environment Protection Committee conducts its activities based on its environmental policy encompassing (1) compliance with environmental laws and regulations; (2) promotion of environment-friendly business operations; (3) harmonious coexistence with society; (4) thorough compliance with and disclosure of the environmental policy.

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

Auditing Framework

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of the Company's business activities. The Board of Auditors consists of four corporate auditors (including two outside corporate auditors) who have a considerable amount of knowledge about finance, accounting and governance.

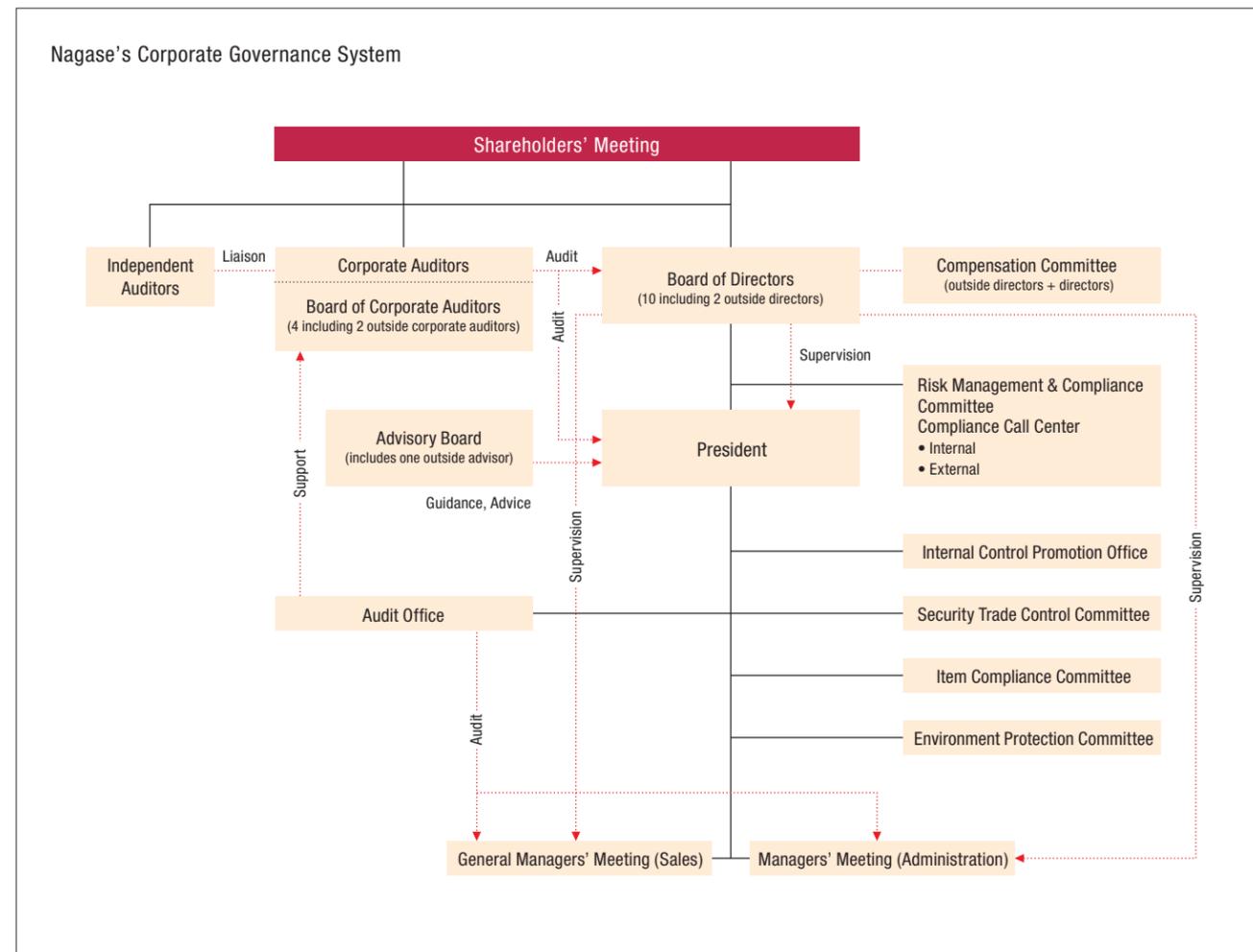
In order to ensure corporate auditors' auditing effectiveness, the Company established the Audit Office, supplying upon request staff to support the corporate auditors' work. The Audit Office and the Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries, while holding meetings twice a year with affiliate companies' auditors. In addition, they perform liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase's independent auditors, regarding accounting matters and associated internal controls. Audit Office members are also present at accounting audits conducted by the independent auditors.

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.

Independent Directors and Independent Corporate Auditors

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



Risk Management and Compliance

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

Comprehensive Identification, Understanding and Control of Risks

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

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

Basic Compliance Policy

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

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

1 Compliance with laws, regulations and internal rules and regulations

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

2 Elimination of anti-social elements

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

3 Provision of goods and services that are useful to society

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

4 Respect for the qualities and individuality of employees

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

5 Disclosure of information to stakeholders

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

6 Preserving the global environment

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

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

As the Nagase Group accelerates business globalization, the volume of off-shore transactions it engages in as well as exports to and imports from China and other rapidly growing countries is increasing. The Company's principal suppliers to date have been major chemical manufacturers in Europe and the United States, which differ from new suppliers in emerging countries in that transactions with the latter require that initiatives be put in place to prevent the occurrence of quality management and other issues due to legal and regulatory differences between Japan and the countries in question. Therefore, Nagase recognizes the increasing importance of encouraging overseas suppliers to conduct sound quality management.

At the same time, one of the goals of Nagase's "CHANGE" 11 medium-term management plan involves the further reinforcement and expansion of Groupwide R&D and production functions. To achieve this goal, Nagase must enhance the capabilities of Group manufacturing companies, including joint ventures and continuously improve quality management at these companies. Accordingly, pursuant to the Nagase Group Product Safety Principles, formulated in October 2008, the Company is promoting the formulation of Groupwide rules regarding quality management and product quality assurance while providing its employees with educational programs. Through these activities, we are working to ensure the safety of the products handled throughout the Group.

Specific Measures Taken for Individual Risks: Security Trade Control

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

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

ings, 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 control 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, risk of violation of laws associated with export control is prevented.

■ Specific Management Framework

At Nagase, with regard to all products for export, the Compliance Program Procedural Administration System for goods and Technology (CP-PAS) 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), and the Sales Division and export control officers confirm whether or not permission to export is required. This system is designed to ensure that only 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 control that prohibit trade in products that are military-related items or that have military applications, and we make the Nagase Group fully aware of Group policies so as not to become involved in security export control risks.

■ Efforts to Promote Personnel Development

Every year, the practical business of security trade control becomes ever more complex.

To keep pace with this situation, the Nagase Group encourages employees, mainly those involved in export operations, to take the exam to become an STC Associate, which is offered by Center for Information on Security Trade Control (CISTEC). As of March 31, 2010, 205 employees from a total of 17 companies, including Nagase and affiliated companies, 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 Control

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 and overseas-based subsidiaries, with the entire Group participating. In fiscal 2009, a total of 144 training lectures were provided to 3,607 people.

Specific Measures taken for Individual Risks: Regulatory Compliance in Products

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

■ Framework for Compliance with Chemical Laws and Regulations

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

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

■ Strategic Approach to International Chemicals Management (SAICM)

The action plan adopted at the 2002 World Summit on Sustainable Development—also known as the Johannesburg Summit—is aimed at ensuring that, by the year 2020,

chemicals are produced and used in ways that minimize significant adverse impacts on the environment and human health. In accordance with this policy, the entire world is accelerating the tightening and standardization of regulations concerning chemical management. Consequently, each nation worldwide is witnessing dynamic changes in applicable laws and regulations.

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

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



Nagase Group Environmental Management Structure

Nagase began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee. 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 Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd. and Nishinihon Nagase Co., Ltd.—conduct activities together with Nagase at its certified business establishments. Also, during fiscal 2009, Nagase commenced procedures to include Nagase General Service Co., Ltd. in the scope of the certification.

In addition, many Nagase Group companies, having acquired certification independently, are conducting their own environmental activities. Looking at this issue from a Groupwide management perspective, Nagase has established an environmental philosophy that would be common to the entire Group in the first half of fiscal 2009. In fiscal 2010, we plan to introduce such a Groupwide philosophy to further promote our environmental initiatives.

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



Environmental Management Activities

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

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

Environmental Policy

- 1 Comply with all environmental laws, regulations and other rules**
We will observe all environmental laws, municipal bylaws, environmental regulations and other rules as we conduct our business activities.
- 2 Develop businesses that give full consideration to environmental issues**
We will conduct our business activities in full awareness of the need to preserve the ecosystem and protect the environment, and we will make every possible effort to give full consideration to the environment within the limits of technological and economic feasibility.
- 3 Fulfill our responsibilities as a good corporate citizen**
As a good corporate citizen we will work together with public institutions, industry, and local communities to promote environmental conservation measures that are suitable for the Nagase Group.
- 4 Establish and continually improve an environmental management system**
We will work to construct an environmental management system in order to fully achieve the objectives set out in this Policy. We will continuously make improvements to this system by setting concrete goals and working to fulfill them.
- 5 Disclose and make the relevant parties fully aware of our Environmental Policy**
We will disclose the Policy to the public and make all who work for the Nagase Group fully aware of its contents.

Nagase's Original Eco-Businesses

Electronic Chemicals Business

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

Applying the entire range of its technologies, expertise and experience in the electronic chemicals business, the Nagase Group also completed a plant, which manufactures, supplies and recycles chemicals used in LCD panel manufacturing processes, within Sharp’s “Green Front Sakai,” and this facility commenced operations in October 2009. Utilizing the CMS and Nagase ChemteX Corp.’s chemical recycling technologies, this on-site plant recycles developer, stripping agents and other chemicals. Concentrating the Nagase Group’s long-accumulated technologies at this recycling-oriented plant will enable major reductions in the use of chemicals and raw materials as well as significant environmental contributions.



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



Developer Control Equipment



Precision Filtration Equipment



Developer Dilution Supply Equipment

Wind Power Generation Business

Nations worldwide are accelerating the introduction of renewable energy with small environmental impact. China has increasingly introduced wind power generation and become a major nation in terms of total installed wind power capacity. The Nagase Group is working to establish and expand a wind power generation business in the rapidly growing Chinese market, leveraging its intelligence capability and Nagase ChemteX’s long-nurtured technologies and development capability relating to epoxy resin. Specifically, Nagase ChemteX is developing windmill blade materials and mold frames and other structural components in Japan, while Nagase ChemteX (Wuxi) Corp. is manufacturing and supplying these products in China.

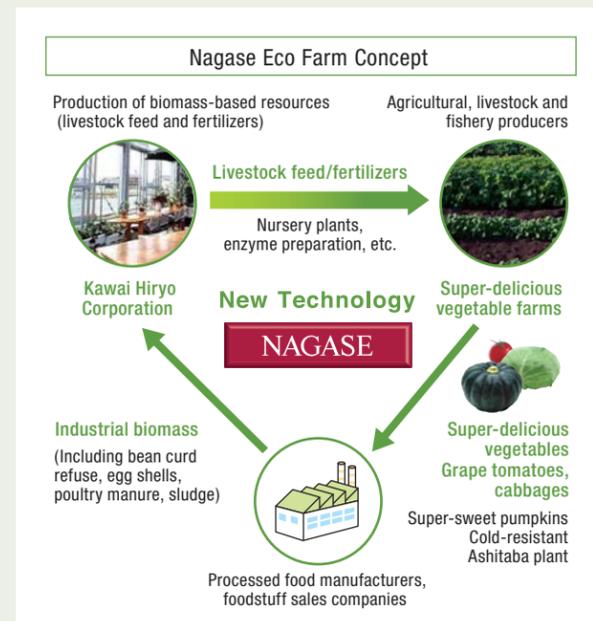
The Company’s medium-term management plan **“CHANGE” 11** involves the strategy of focusing on the environmental and energy fields. In accordance with this strategy, the Nagase Group will accelerate the identification, development and provision of products that contribute to reducing environmental impact of society at large, thereby expanding the wind power generation business.



Nagase Enters Organic Fertilizer Business

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

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

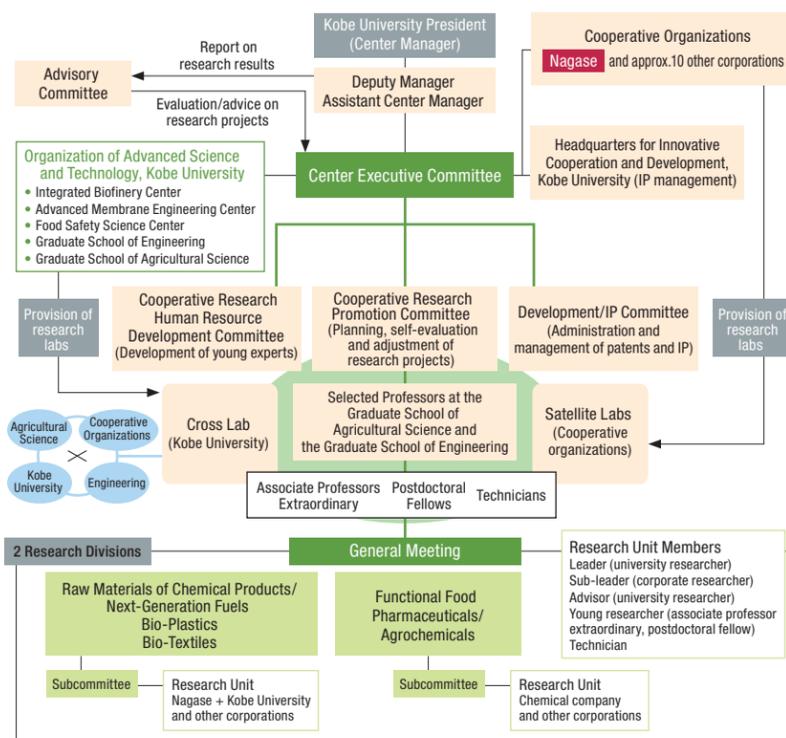


Environmental R&D Activities

Applying and further developing biotechnologies that the Nagase Group has fostered over the years, the Nagase R&D Center is aggressively undertaking the development of technologies that can be used in the environmental and energy fields. For example, Nagase has participated as a cooperative organization in the Innovative Bioproduction Kobe project promoted by Kobe University from July 2008. Aimed at establishing the university as the center for promoting the integration of next-generation agricultural and industrial technologies, this project has been selected for eligibility for funds, provided through the Ministry of Education, Culture, Sports, Science and Technology (MEXT), under Japan’s Formation of Innovation Center for Fusion of Advanced Technologies project.

The Innovative Bioproduction Kobe project aims to produce the raw materials of chemical products and fuel resources—which currently depend on petroleum resources—from biomass (biological resources) through the application of microorganisms. In this project, the Nagase R&D Center is contributing technologies relating to microorganism-enzyme reaction and genetic modification, which have underpinned the Company’s product development in the life sciences and electronics businesses. Combining these technologies with the core technologies that Kobe University has, the project is pursuing the creation of non-petrochemical products and innovative processes to establish new technologies that contribute to reducing the environmental impact of chemical products and fuel resources on the global community.

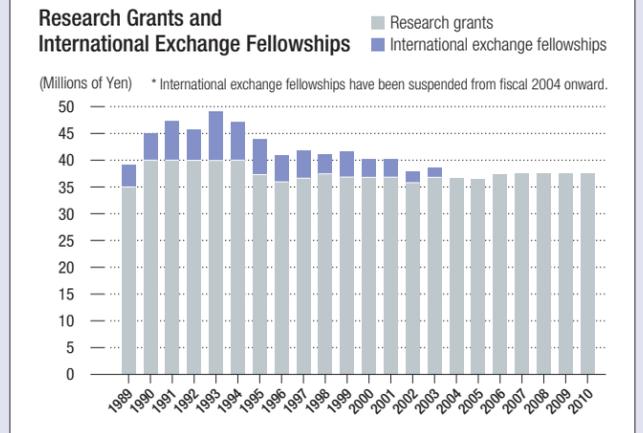
Innovative Bioproduction Kobe Project Structure



Contributing to Growth of Scientific Technology

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

Contributions include research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures. To date, the foundation has awarded a cumulative 341 research grants and 178 international exchange fellowships, the sum of which totals approximately ¥890 million.



Research Grants Provided in Fiscal 2010

Name	Present Office	Subject Matter
Biochemistry		
Shun'ichi Kuroda	Professor Graduate School of Bioagricultural Sciences Nagoya University	Establishment of Innovative Cell Breeding Method by Automated One Cell Picking Up System
Hidetaka Kosako	Associate Professor Institute for Enzyme Research The University of Tokushima	Development of a phosphoproteomic approach for global identification of protein kinase substrates in vivo
Eiji Sakuradani	Assistant Professor Graduate School of Agriculture Kyoto University	Useful lipid production through metabolic engineering by oleaginous fungus <i>Mortierella alpina</i>
Shinsuke Fujiwara	Professor Graduate School of Science and Technology Kwansai-Gakuin University	Maintenance of enzyme function by cold-inducible molecular chaperonin from hyperthermophile
Hisaaki Mihara	Associate Professor College of Life Sciences Ritsumeikan University	Studies of novel metal-metabolizing microorganisms for development of processes for bioremediation of metals and recovery of rare metal resources
Hirota Mori	Professor Graduate School of Biological Sciences, Nara Institute of Science and Technology	Development of fundamental tools and resources for genetical modification of <i>Streptomyces</i> species using recombination and conjugation system of <i>Escherichia coli</i>
Hideki Yamaji	Associate Professor Graduate School of Engineering Kobe University	Efficient production of virus-like particles in insect cells
Organic Chemistry		
Kaori Ando	Professor Faculty of Engineering Gifu University	Development of a new catalyst for the asymmetric Morita-Baylis-Hillman reaction based on the molecular orbital calculations
Sensuke Ogoshi	Professor Graduate School of Engineering Osaka University	Nickel-catalyzed selective cross-dimerization of aldehydes
Mitsuru Kitamura	Associate Professor Department of Applied Chemistry Kyushu Institute of Technology	Synthesis of poly-substituted aromatic compounds from quinone diazides
Ryoichi Kuwano	Professor Graduate School of Sciences Kyushu University	Catalytic Asymmetric Hydrogenation of Polycyclic Aromatic Rings Constituted of only Carbon Atoms
Toshio Nishikawa	Professor Graduate School of Bioagricultural Sciences Nagoya University	Synthesis of natural toxins and their analogs inhibiting ion channels
Kenji Matsuda	Professor Graduate School of Engineering Kyoto University	Molecular-scale nanoscience using bistable organic molecules
Biochemistry / Organic Chemistry		
Ikuro Abe	Professor Graduate School of Pharmaceutical Sciences The University of Tokyo	Engineering Plant Polyketide Syntheses: Utilization of Chiral Amino Acid Derivatives as Substrates
Shinobu Itoh	Professor Graduate School of Engineering Osaka University	Functional Modification of Dinuclear Metalloenzymes and Application to Synthetic Organic Chemistry

	(Millions of yen)						Thousands of
	2005	2006	2007	2008	2009	2010	U.S. Dollars (Note)
For the Fiscal Year:							
Net Sales	¥ 575,636	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	¥ 603,949	\$6,491,283
Domestic	363,708	388,470	410,789	432,813	394,874	360,382	3,873,409
Overseas	211,928	259,553	290,532	331,942	320,364	243,567	2,617,874
Gross Profit	61,960	67,640	73,639	80,506	71,527	65,415	703,085
Operating Income	13,256	17,596	21,669	23,063	12,522	13,128	141,101
Income before Income Taxes and Minority Interests	17,558	20,583	23,095	20,264	11,183	13,534	145,464
Net Income	10,384	12,892	13,567	10,005	5,808	7,537	81,008
Capital Investment	¥ 6,616	¥ 4,769	¥ 5,713	¥ 9,885	¥ 10,040	¥ 7,266	\$ 78,095
Depreciation and Amortization	3,074	3,528	4,110	5,131	5,425	5,976	64,230
Research and Development Expenses	2,348	2,428	2,571	2,927	2,985	3,241	34,834

As of the Fiscal Year-End:							
Total Assets	¥ 335,290	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	¥ 368,088	\$3,956,234
Net Assets	167,092	196,620	211,672	208,377	191,931	202,753	2,179,202
Interest-Bearing Debt	14,019	24,834	20,491	33,342	31,340	21,886	235,232
Share Price (Yen)	1,075	1,582	1,485	1,018	761	1,169	12.56
Market Value	148,788	218,961	205,536	140,899	105,328	161,799	1,739,026
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	138,408	138,408	138,408	138,408	138,408	—
Number of Shareholders	6,982	6,904	6,653	6,324	5,801	5,446	—
Number of Employees	3,203	3,504	3,865	4,335	4,506	4,469	—

	(Yen)						U.S. Dollars (Note)
Per Share Data:							
Net Income	¥ 81.00	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	¥ 58.64	\$ 0.63
Net Assets	1,311.37	1,535.70	1,597.27	1,559.97	1,435.88	1,519.61	16.33
Cash Dividends	10.00	15.00	18.00	17.00	16.00	16.00	0.17

Ratios:							
Operating Margin (Operating Income / Net Sales) (%)	2.3	2.7	3.1	3.0	1.8	2.2	—
Ratio of Income before Income Taxes and Minority Interests to Net Sales (%)	3.1	3.2	3.3	2.6	1.6	2.2	—
Return on Sales (ROS) (%)	1.8	2.0	1.9	1.3	0.8	1.2	—
Total Assets Turnover (Times)	1.8	1.8	1.7	1.8	1.9	1.7	—
Return on Assets (ROA) (%)	3.2	3.5	3.3	2.4	1.5	2.1	—
Return on Equity (ROE) (%)	6.4	7.1	6.8	4.9	3.0	4.0	—
Shareholders' Equity Ratio (%)	49.8	49.6	48.5	47.8	54.1	53.1	—
Debt to Equity Ratio (Times)	0.08	0.13	0.10	0.17	0.17	0.11	—
Interest Coverage Ratio (Times)	31.0	30.5	26.9	23.2	13.5	23.2	—

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2010.

The Nagase Group and Its Businesses

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with Nagase & Co., Ltd. (the "Company" or "Nagase") at its center. In addition, the Nagase Group manufactures and sells products and provides services. These businesses are conducted by 95 related companies, consisting of 69 subsidiaries and 26 affiliates. The scope of consolidation includes 49 subsidiaries as well as 10 affiliates, which are accounted for by the equity method.

During fiscal 2009, ended March 31, 2010, Nagase turned NWP (B.V.I.) Corp. into a consolidated subsidiary due to the increased significance of the business conducted by this company. Meanwhile, on April 1, 2009, the Company merged Nagase CMS Technology Co., Ltd. and Nagase Electronic Equipment Service Co., Ltd., both of which were consolidated subsidiaries in fiscal 2008, to form Nagase Techno-Engineering Co., Ltd. Also during the period, Nagase sold a portion of the Canada Mold Technology Inc. shares that it held. Following this share transfer, Nagase's equity ownership in Canada Mold Technology decreased, consequently removing Canada Mold Technology from the scope of consolidation. In addition, the Company completed the liquidation of Nagase Eco Plus Co., Ltd. during the period under review.

During fiscal 2009, the Nagase Group removed 20 companies, including Nagase Filter Co., Ltd., from its scope of consolidation. The total assets, net sales, net income and retained earnings of these companies had no material effect on consolidated financial statements.

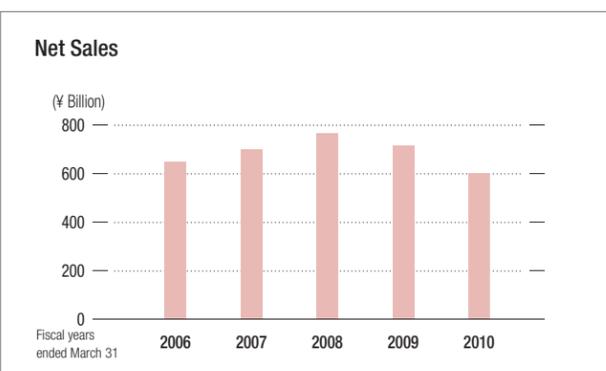
Overview of Results

Net Sales

During the fiscal year under review, the Japanese economy showed gradual recovery due to such factors as progress made in inventory adjustments, the launch of a series of economic stimulus policies, improved export conditions supported by a recovery in overseas demand and a rise in production. Similarly, the global economy seemed to have exited the worst of the current recession, with signs of recovery showing in China and other Asian countries as well as in other regions throughout the world. Nevertheless, overall economic conditions remained severe.

In such an environment, the entire Nagase Group worked diligently to improve overall performance. However, the Group's revenues declined year on year both in Japan and overseas. In particular, consolidated net sales dropped ¥111.28 billion, or 15.6 percent, year on year to ¥603.94 billion.

On the domestic front, although Nagase ChemteX Corp. and certain other subsidiaries improved their sales, overall sales in all businesses deteriorated from fiscal 2008. As a result, sales in Japan decreased ¥34.49 billion, or 8.7 percent, to ¥360.38 billion. Outside of Japan, sales in the Plastics and other segments plunged in greater China and the ASEAN region, which caused overseas sales to fall ¥76.79 billion, or 24.0 percent, year on year to ¥243.56 billion.



Gross Profit and Selling, General and Administrative Expenses

Cost of sales declined ¥105.17 billion, or 16.3 percent, year on year to ¥538.53 billion. In line with the decrease in net sales, gross profit shrank ¥6.11 billion, or 8.5 percent, to ¥65.41 billion. On this basis, the ratio of gross profit to net sales improved 0.8 of a percentage point to 10.8 percent.

Selling, general and administrative expenses contracted ¥6.71 billion, or 11.4 percent, year on year to ¥52.28 billion, reflecting factors that included the amortization of actuarial loss in accounting for retirement benefits. The ratio of SG&A expenses to net sales increased 0.5 of a percentage point year on year to 8.7%.

Research and Development Expenses

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

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

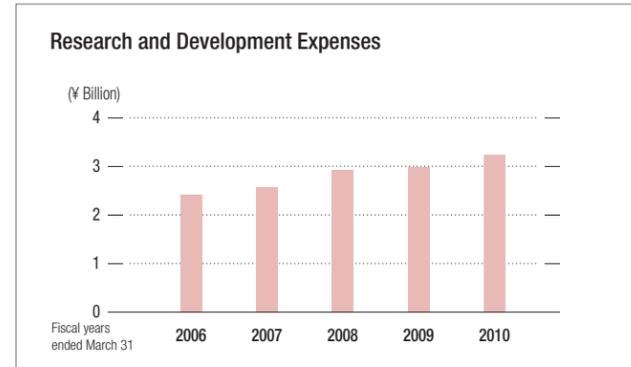
Located in Amagasaki City, Hyogo Prefecture, the Nagase Application Workshop (NAW) has now been in full-scale operation for approximately three

years. NAW responds with great care to each of the various developmental and technical support issues introduced from customers and suppliers through sales, and it uses processing equipment and evaluation devices operated by technical staff specializing in the three areas of plastics, coating materials and textile processing. As such, Nagase is contributing to the solution of customer issues through technological development at NAW.

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

For the fiscal year under review, research and development expenses totaled ¥3.24 billion.

Note: Kobe University was selected by the Ministry of Education, Culture, Sports, Science & Technology as one of the "Cooperative Bioproduction Bases for Next Generation Agriculture Project" (Formation of Innovation Center for Fusion of Advanced Technologies, Special Coordination Funds for Promoting Science and Technology) in which the Nagase R&D Center participates as a collaborative institution.



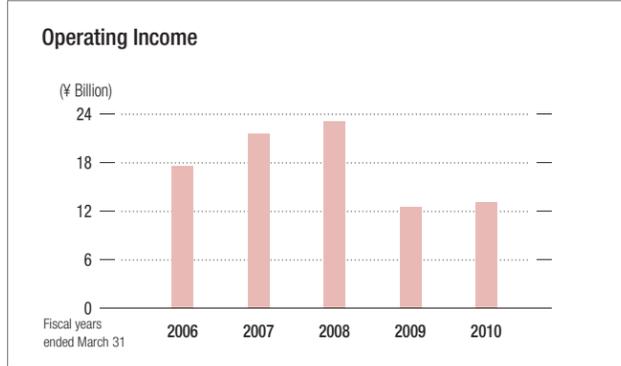
Operating Income, Net Other Income

As a result of the above, operating income rose ¥0.60 billion, or 4.8 percent, year on year to ¥13.12 billion, for an operating margin of 2.2 percent, an improvement of 0.4 of a percentage point.

Nagase posted net other income totaling ¥1.58 billion, for the fiscal year under review, a jump of ¥1.05 billion, or 198.9 percent, from the previous fiscal year. Behind this improvement were a decrease in interest expense and the absence of the equity in losses of affiliates recorded in the previous fiscal year.

The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, soared from 13.5 times in fiscal 2008 to 23.2 times.

Accounting for these factors, ordinary income increased ¥1.66 billion, or 12.7 percent, year on year to ¥14.71 billion. The ratio of ordinary income to net sales increased 0.6 of a percentage point to 2.4 percent.

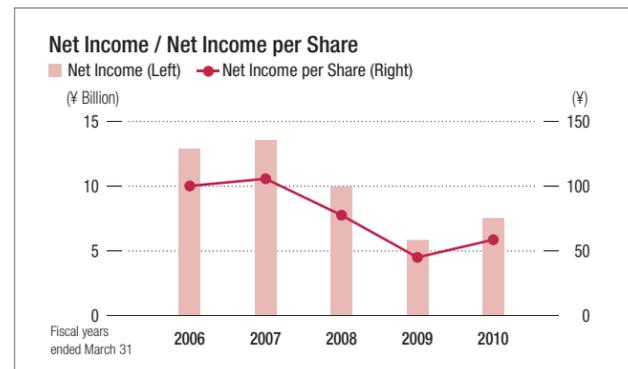


Extraordinary Income and Loss, Net Income

Extraordinary net loss decreased to ¥1.17 billion, from a loss of ¥1.86 billion in the previous fiscal year. Extraordinary income declined to ¥0.18 billion, from ¥0.47 billion in the previous fiscal year. This decline was mainly attributable to the absence of the compensation, totaling ¥0.43 billion, posted in the previous fiscal year. Extraordinary loss declined to ¥1.36 billion, from ¥2.34 billion in the previous fiscal year, primarily owing to a decrease from ¥1.23 billion to ¥0.70 billion in loss on devaluation of investments in securities and to the absence of the loss on change in equity interest, totaling ¥0.40 billion, recorded in the previous fiscal year.

Income before income taxes and minority interests climbed ¥2.35 billion, or 21.0 percent, year on year to ¥13.53 billion. On this basis, the ratio of income before income taxes and minority interests to net sales rose 0.6 of a percentage point to 2.2 percent.

As a result, net income expanded ¥1.72 billion, or 29.8 percent, year on year to ¥7.53 billion. This translated to a net income to net sales ratio of 1.2 percent, up 0.4 of a percentage point. Net income per share increased from ¥45.17 in fiscal 2008 to ¥58.64.



Results by Business Segment

Chemicals

Fiscal years ended March 31	(¥ Billion)		
	2008	2009	2010
Net Sales	267.83	263.11	237.12
Operating Income	7.93	5.61	6.78
Total Assets	133.05	113.48	132.05
Depreciation and Amortization	1.26	1.24	1.63
Capital Expenditures	2.29	1.95	1.13

Overall sales in the Chemicals segment declined year on year. Despite a recovery trend in demand in the chemical industry in general and an increase in sales of Nagase ChemteX products, sales for the full fiscal year did not return to the level recorded in the previous fiscal year. Accordingly, net sales in the Chemicals segment dropped ¥25.98 billion, or 9.9 percent, year on year to ¥237.12 billion. On the other hand, segment operating income increased ¥1.17 billion, or 20.9 percent, to ¥6.78 billion.

In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, sales of dyestuffs used in the textile processing industry declined. However, increases in sales of ink materials for printers and functional color pigments for plasma displays and electroconductive polymers pushed up overall sales in this business.

In the performance chemicals business, which boasts an extensive portfolio—ranging from naphtha-derived general-purpose petrochemical products to high-value-added products—overall sales have begun to recover. However, sales to the coating material/ink, urethane foam and plastics and other industries fell across the board. Consequently, overall sales in this business decreased year on year.

In the speciality chemicals business, sales to the semiconductor industry overseas of raw materials used in sealants and other products expanded. However, sales of intermediates and raw materials to the surfactant and organic synthesis industries fell, resulting in a year-on-year decrease in overall sales in this business. In the meantime, sales of Nagase ChemteX products, particularly for LCD-related applications, grew year on year.

Plastics

Fiscal years ended March 31	(¥ Billion)		
	2008	2009	2010
Net Sales	274.66	255.85	192.56
Operating Income	6.13	2.68	2.27
Total Assets	126.04	103.34	98.61
Depreciation and Amortization	1.04	0.96	0.94
Capital Expenditures	1.03	2.07	0.99

Overall sales in the Plastics segment deteriorated significantly compared with the previous fiscal year. Despite signs of a recovery in demand during the second half, particularly in China, sales in all regions did not recover to the level achieved in fiscal 2008. As a result, net sales in the Plastics segment fell ¥63.28 billion, or 24.7 percent, to ¥192.56 billion. Segment operating income was also down, falling ¥0.40 billion, or 15.2 percent, to ¥2.27 billion.

In the advanced polymers business, overall sales to office automation and consumer electronics businesses declined significantly. Despite recovery in Chinese demand for Nagase products used in consumer electronics and other finished products in the second half of the period under review, sales to office automation equipment businesses remained weak in Asia and other regions as well as in Japan.

In the automotive solutions business, despite a year-on-year increase in sales in China owing to higher automobile production and sales volume, overall sales dropped, adversely affected by a decline in the number of automobiles manufactured in North America and Japan.

The polymer products business, which is centered on functional films and sheets as well as plastic molding products, experienced an increase in sales of functional films and antireflective sheets for such electronic devices as mobile phones. Due to a contraction of the housing equipment and building materials business, however, overall sales in this business decreased year on year.

Electronics

Fiscal years ended March 31	(¥ Billion)		
	2008	2009	2010
Net Sales	163.83	135.77	117.59
Operating Income	7.03	2.53	2.77
Total Assets	88.26	73.63	72.49
Depreciation and Amortization	1.94	2.12	2.13
Capital Expenditures	3.68	4.29	3.29

Despite earlier-than-expected demand recovery in LCD-related and certain other industries, overall sales in the Electronics segment declined year on year. This was attributable to the significant impact, particularly overseas, of the economic downturn that began during the second half of fiscal 2008. As a result, net sales in this segment declined ¥18.18 billion, or 13.4 percent, year on year to ¥117.59 billion. Segment operating income increased ¥0.23 billion, or 9.5 percent, to ¥2.77 billion.

Sales in the electronic chemicals business showed brisk recovery in the second half of the period under review, mainly supported by products manufactured by Nagase ChemteX and other Group companies. Despite the weak performance of formulated epoxy resins for the light-electronics and automobile industries, sales of new products used in such devices as mobile phones were strong, allowing the Company to maintain sales in this business at a level on par with those of the previous fiscal year. Sales of chemicals used to manufacture LCDs jumped substantially due to the launch of a new project. As a result, overall electronic chemicals business sales increased year on year.

In the electronic materials business, sales of precision abrasive materials, which are used in silicon wafer processing for semiconductors and in hard disks, stayed almost level with those of fiscal 2008. In LCD displays, sales of materials for touch panels and optical films were firm. In addition, Nagase released new materials in response to the ongoing trend toward slimmer LCD panels. Overall sales in the electronic materials business, however, declined significantly due mainly to a decrease in sales of mobile phone modules as well as a decline in Nagase's manufacturing and processing and assembly businesses in Southern China area.

Life Sciences

Fiscal years ended March 31		(¥ Billion)	
	2008	2009	2010
Net Sales	56.48	58.90	55.54
Operating Income	1.66	1.16	0.94
Total Assets	32.17	35.09	34.78
Depreciation and Amortization	0.66	0.83	0.93
Capital Expenditures	1.67	0.99	0.45

In the Life Sciences segment, sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly year on year. Sales of such products as pharmaceutical raw materials and intermediates in the fine chemicals business fell, while sales of fermentation products and raw materials of agricultural chemicals edged down. Overall sales in this segment consequently contracted year on year. As a result, net sales in this segment declined ¥3.36 billion, or 5.7 percent, to ¥55.54 billion. Segment operating income declined as well, contracting ¥0.22 billion, or 19.4 percent, to ¥0.94 billion.

In the fine chemicals business, sales of pharmaceutical raw materials and intermediates slid due to such factors as a delay in new chemical development plans for the pharmaceutical industry due to lagging economic recovery. In enzymes and fermentation products, despite an increase in sales thanks to new products developed by Nagase ChemteX, overall enzyme and fermentation products sales sank slightly thanks to a decrease in sales of existing products. Coupled with the lower overseas sales, these setbacks led to an overall year on year decrease in fine chemicals business sales.

In the beauty care products business, robust sales of new cosmetics products were offset by stagnant sales of health foods in the second half. As a result, overall sales in this business edged down year on year.

Others

Segment sales decreased 29.3%, or ¥0.46 billion, year on year to ¥1.12 billion. Operating income amounted to ¥5 million.

Results by Geographical Segment

Japan

Although Nagase ChemteX and certain other subsidiaries recorded sales expansions, overall, sales across all business categories declined. As a result, sales in Japan decreased ¥43.53 billion, or 9.7 percent, year on year to ¥406.56 billion. Operating income, however, increased ¥2.90 billion, or 56.3 percent, to ¥8.07 billion, reflecting a decline in selling, general and administrative expenses and an increase in the profits of manufacturing subsidiaries.

Northeast Asia

Increased sales in the automotive solutions business in the Plastics segment were more than offset by a decrease in sales to office automation and consumer electronics businesses in the Plastics segment and a plunge in sales in the processing and assembly business of the Electronics segment. As a result, sales in Northeast Asia dropped ¥33.28 billion, or 22.0 percent, year on year to ¥118.33 billion. Operating income in this region dropped ¥1.24 billion, or 27.9

percent, to ¥3.21 billion.

Southeast Asia

Due to the significant impact of a decline in sales to office automation and consumer electronics businesses in the Plastics segment, sales in Southeast Asia fell ¥25.08 billion, or 32.1 percent, year on year to ¥53.07 billion. Operating income in this region fell ¥0.62 billion, or 30.3 percent, to ¥1.44 billion.

North America

Sales in this region decreased ¥5.51 billion, or 29.0 percent, year on year to ¥13.5 billion. This sales decline was attributable to a significant drop in sales of automotive products in the Plastics segment and to the removal of an automotive molding manufacturing subsidiary from the scope of the Company's consolidation in line with the sale of the shares that Nagase held in this subsidiary. Operating income in this region nosedived ¥0.19 billion, or 74.2 percent, to ¥0.06 billion.

Europe & Others

Sales in the Chemicals segment, centered on the color-former business, and in the Plastics segment, centered on the automotive solutions business, deteriorated significantly year on year. Reflecting this and other factors, sales in this region declined ¥3.86 billion, or 23.7 percent, to ¥12.46 billion. Operating income declined ¥0.30 billion, or 57.3 percent, to ¥0.22 billion.

Profit Sharing Policy

Dividend Policy

Nagase's basic policy is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders. The Company pays dividends after taking into overall consideration projected capital requirements for future growth over the medium and long term and consolidated performance. Nagase employs internal capital resources effectively to strengthen future business activities and the Nagase Group's operating foundation.

Based on this policy, Nagase plans to pay a fiscal year-end dividend of ¥9.00 per share for the fiscal year ended March 31, 2010. Together with the interim dividend, the Company will therefore pay an annual dividend of ¥16.00 per share, the same as that paid in the previous fiscal year. The consolidated payout ratio decreased to 27.3 percent from 35.4 percent for the previous fiscal year.

For the fiscal year ending March 31, 2011, Nagase plans to pay a total cash dividend of ¥18.00 per share, consisting of an interim and fiscal year-end dividend of ¥9.00 per share each.

Stock Option System

In the fiscal year ended March 31, 2003, the Nagase Group introduced a stock option system aimed at boosting the motivation and morale of Group employees in order to improve their performance and at further enhancing the Company's corporate value by aligning the interests of the Group with those of shareholders. During the year ended March 31, 2010, the Nagase Group issued rights to purchase new shares in the form of stock options to directors, executive officers, technology officers and Company managers, as well as to directors and individuals holding equivalent titles at subsidiaries.

Liquidity and Financial Condition

Cash and cash equivalents as of March 31, 2010 increased ¥6.67 billion, or 18.5 percent, from March 31, 2009 to ¥42.80 billion.

For the fiscal year under review, net cash provided by operating activities totaled ¥27.87 billion, mainly due to the posting of income before income taxes and minority interests totaling ¥13.53 billion and to a significant decrease in working capital. Meanwhile, net cash used in investing activities amounted to ¥9.43 billion, primarily owing to purchases of property and equipment and investments in securities. Net cash used in financing activities totaled ¥11.75 billion, largely due to a net decrease in short-term loans and the payment of cash dividends.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥27.87 billion. This was due to various factors, including a decrease in working capital in connection with inventory reduction and the posting of income before income taxes and minority interests, totaling ¥13.53 billion, despite rises in notes and accounts receivable and notes and accounts payable.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥9.43 billion. This reflected such factors as purchases of property and equipment, which stood at ¥6.53 billion, and purchases of investments in securities, which amounted to ¥3.33 billion.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥11.75 billion. Major components were a net decrease in short-term loans, totaling ¥9.65 billion, and the payment of cash dividends, totaling ¥1.92 billion.

Cash Flow Summary

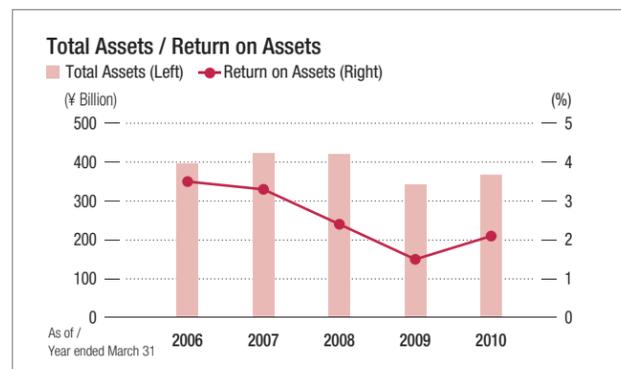
Fiscal years ended March 31		(¥ Billion)	
	2008	2009	2010
Net Cash Provided by (Used in)			
Operating Activities	(2.58)	36.16	27.87
Net Cash Used in Investing Activities	(7.00)	(11.06)	(9.43)
Net Cash Provided by (Used in)			
Financing Activities	10.73	(5.54)	(11.75)

Assets

Total assets as of March 31, 2010 stood at ¥368.08 billion, an increase of ¥27.12 billion, or 8.0 percent, from March 31, 2009.

Current assets increased ¥18.62 billion, or 7.5 percent, to ¥267.77 billion. Decreases in short-term investment in securities, inventories and other current asset items were more than offset by an increase in notes and accounts receivable and a rise in cash and time deposits, which reflected the accumulation of/contributed to accumulated cash and cash equivalents.

The sum of property, plant and equipment and investments and other assets expanded ¥8.49 billion, or 9.2 percent, to ¥100.31 billion. This expansion largely owed to an increase in property, plant and equipment through purchases and a rise in the market value of investments in securities.



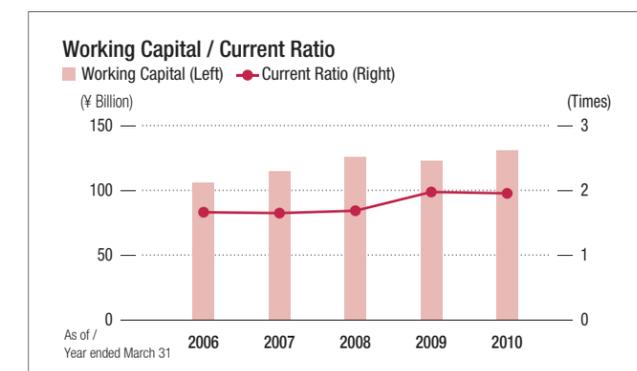
Liabilities

As of March 31, 2010, total liabilities stood at ¥165.33 billion, an increase of ¥16.29 billion, or 10.9 percent, from March 31, 2009.

Current liabilities rose ¥10.85 billion, or 8.6 percent, to ¥137.11 billion. A year-on-year decrease of ¥9.47 billion in short-term loans was more than offset by an increase of ¥18.63 billion in notes and accounts payable, among other adjustments.

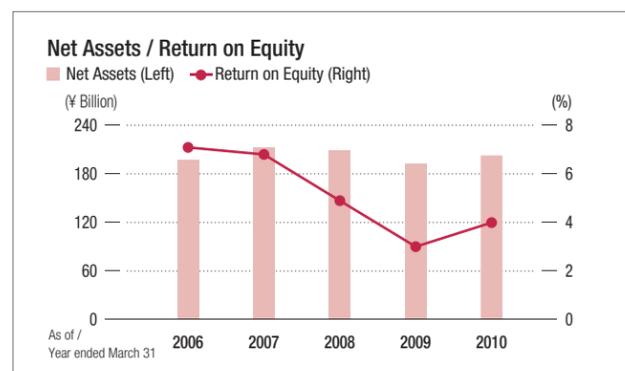
Working capital increased year on year, from ¥122.89 billion to ¥130.66 billion. The current ratio declined 2.0 points to 1.95 times from a year earlier.

Long-term liabilities rose ¥5.43 billion, or 23.9 percent, from March 31, 2009 to ¥28.22 billion. This rise was mainly due to a ¥5.50 billion increase in deferred income taxes, caused by a hike in net unrealized holding gain on securities in line with higher share prices.



Net Assets

Net assets as of March 31, 2010 stood at ¥202.75 billion, up ¥10.82 billion, or 5.6 percent, from March 31, 2009. This increase was primarily due to an increase in retained earnings, which resulted from the posting of net income in the fiscal year under review, and to a rise in net unrealized holding gain on securities. Accounting for these factors, the shareholders' equity ratio declined 1.0 percentage point to 53.1 percent.



Investment in Plant and Equipment

Investment in plant and equipment for the fiscal year ended March 31, 2010 centered on manufacturing facilities for manufacturing subsidiaries and totaled ¥6.62 billion.

By segment, in the Chemicals segment, investment in plant and equipment totaled ¥0.88 billion and included manufacturing and other facilities of manufacturing subsidiaries. In the Plastics segment, investment in plant and equipment totaled ¥0.87 billion and included manufacturing and other facilities of Nagase and manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥3.12 billion and included buildings and manufacturing and other facilities of Nagase and manufacturing subsidiaries. In the Life Sciences segment, investment in plant and equipment totaled ¥0.36 billion and included manufacturing facilities of manufacturing subsidiaries. In the Others segment, investment in plant and equipment totaled ¥1.37 billion. The Nagase Group used both internal and external capital resources to fund these activities.

Outlook for the Year Ending March 31, 2011

The global economy is expected to remain on a mild recovery course in the fiscal year ending March 31, 2011, driven by growth in China and other Asian countries. In Japan, however, the positive effects of the government's economic stimulus policies, which have supported the country's economic recovery thus far, are anticipated to weaken, accompanied by ballooning concerns about a slowdown in the pace of recovery due to persistent deflation and stagnant consumer spending. Accordingly, it is still too early to take an optimistic view on future operating conditions.

Based on the above, the outlook for the Nagase Group's fiscal 2010 performance is shown in the table below. These performance projections are based on an exchange rate of ¥90=U.S.\$1.00.

(Announced on April 28, 2010) (¥ Billion)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2011 (Projected)	647.0	15.0	16.2	9.5
Year ended March 31, 2010 (Actual)	603.9	13.1	14.7	7.5
Increase (Decrease) (%)	7.1	14.3	10.1	26.0

Statements made in this document with respect to the Nagase Group's performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of April 28, 2010. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ materially from projections.

Operating and Other Risks

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

(1) Overall Operating Risk

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

(2) Product Market Conditions

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

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

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

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

(4) Impact of Fluctuations in Interest Rates

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

(5) Risks Involved in Operating Overseas

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

(6) Impact of Changes in Stock Prices

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

(7) Counterparty Credit Risk

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

(8) Risk of New Investments

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

(9) Product Quality Risk

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

(10) Risks of Handling Various Chemicals

Chemicals are a core business of the Nagase Group, which imports and exports a diverse array of products for a broad range of applications. The Group's exports are therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order, and imports are subject to the Chemical Substances Control Law and other laws and regulations. The Nagase Group has therefore established the Security Trade Control Committee and the Item Compliance Committee, which work to assure compliance with the above regulatory systems and with laws related to chemical product management in China, 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.

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current assets:			
Cash and time deposits (Notes 13 and 19)	¥ 42,807	¥ 26,137	\$ 460,092
Notes and accounts receivable (Note 13)	186,985	166,380	2,009,727
Inventories (Note 4)	31,052	40,072	333,749
Deferred income taxes (Note 9)	2,825	2,875	30,363
Other current assets	6,055	15,658	65,080
Less allowance for doubtful accounts	(1,951)	(1,976)	(20,969)
Total current assets	267,775	249,147	2,878,063
Property, plant and equipment, at cost:			
Land (Note 7)	11,692	11,731	125,666
Buildings and structures	38,427	35,167	413,016
Machinery and equipment	43,152	42,008	463,801
Leased assets	319	435	3,429
Construction in progress	640	755	6,879
	94,231	90,098	1,012,801
Less accumulated depreciation	(53,909)	(50,890)	(579,417)
Property, plant and equipment, net	40,322	39,207	433,383
Investments and other assets:			
Investments in securities (Notes 5, 7 and 13):			
Unconsolidated subsidiaries and affiliates	7,420	10,090	79,751
Other	46,268	33,479	497,291
	53,688	43,569	577,042
Long-term loans receivable	51	78	548
Deferred income taxes (Note 9)	968	919	10,404
Other assets	5,666	8,686	60,899
Less allowance for doubtful accounts	(384)	(641)	(4,127)
Total investments and other assets	59,991	52,612	644,787
Total assets (Note 20)	¥368,088	¥340,968	\$ 3,956,234

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Current liabilities:			
Short-term loans (Notes 6 and 13)	¥ 10,274	¥ 17,143	\$ 110,426
Current portion of long-term debt and finance lease obligations (Note 6)	183	2,787	1,967
Notes and accounts payable (Note 13)	108,643	90,007	1,167,702
Accrued income taxes (Note 9)	1,992	1,182	21,410
Deferred income taxes (Note 9)	21	33	226
Accrued expenses	3,120	2,773	33,534
Accrued bonuses for employees	2,814	2,261	30,245
Accrued bonuses for directors	160	135	1,720
Allowance for voluntary recall expenses	—	136	—
Other current liabilities	9,903	9,793	106,438
Total current liabilities	137,114	126,255	1,473,710
Long-term liabilities:			
Long-term debt and finance lease obligations (Notes 6 and 13)	11,428	11,409	122,829
Deferred income taxes (Note 9)	9,498	3,993	102,085
Accrued retirement benefits for employees (Note 8)	6,815	6,888	73,248
Other liabilities	477	489	5,127
Total long-term liabilities	28,221	22,781	303,321
Contingent liabilities (Note 17)			
Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 138,408,285 shares in 2010 and 2009	9,699	9,699	104,245
Capital surplus	10,040	10,040	107,911
Retained earnings (Note 21)	171,286	168,257	1,840,993
Less treasury stock, at cost (Note 11)	(5,427)	(5,385)	(58,330)
Total shareholders' equity	185,599	182,611	1,994,830
Valuation and translation adjustments:			
Net unrealized holding gain on securities	14,961	7,939	160,802
Deferred gain on hedges	8	64	86
Translation adjustments	(5,225)	(6,016)	(56,159)
Total valuation and translation adjustments	9,744	1,987	104,729
Stock acquisition rights	235	235	2,526
Minority interests	7,173	7,096	77,096
Total net assets	202,753	191,931	2,179,202
Total liabilities and net assets	¥368,088	¥340,968	\$ 3,956,234

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Net sales (Note 20)	¥ 603,949	¥715,238	\$6,491,283
Cost of sales (Note 15)	538,534	643,710	5,788,199
Gross profit	65,415	71,527	703,085
Selling, general and administrative expenses (Note 15)	52,286	59,004	561,973
Operating income (Note 20)	13,128	12,522	141,101
Other income (expenses):			
Interest and dividend income	997	1,431	10,716
Interest expense	(608)	(1,032)	(6,535)
Equity in earnings (losses) of affiliates	291	(520)	3,128
Gain on sales of investments in securities	165	19	1,773
Loss on devaluation of investments in securities	(706)	(1,235)	(7,588)
Loss on change in equity interest	—	(409)	—
Loss on disposal of property and equipment	(167)	(546)	(1,795)
Loss on impairment of fixed assets	(102)	—	(1,096)
Special retirement expenses	(174)	—	(1,870)
Compensation	—	439	—
Other, net	710	515	7,631
Income before income taxes and minority interests	13,534	11,183	145,464
Income taxes (Note 9):			
Current	4,103	4,702	44,099
Deferred	1,505	104	16,176
Income before minority interests	7,925	6,376	85,178
Minority interests	387	568	4,160
Net income	¥ 7,537	¥ 5,808	\$ 81,008

See accompanying notes to consolidated financial statements.

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2008	¥9,699	¥10,017	¥165,664	¥(5,342)	¥180,039	¥ 18,613	¥(20)	¥ 1,922	¥183	¥7,639	¥208,377
Net income for the year	—	—	5,808	—	5,808	—	—	—	—	—	5,808
Gain on sales of treasury stock	—	22	—	—	22	—	—	—	—	—	22
Cash dividends	—	—	(3,215)	—	(3,215)	—	—	—	—	—	(3,215)
Purchases of treasury stock	—	—	—	(97)	(97)	—	—	—	—	—	(97)
Disposition of treasury stock	—	—	—	53	53	—	—	—	—	—	53
Change of interest in an affiliate accounted for by the equity method	—	—	—	1	1	—	—	—	—	—	1
Other	—	—	—	—	—	(10,673)	85	(7,939)	52	(543)	(19,018)
Balance at March 31, 2009	9,699	10,040	168,257	(5,385)	182,611	7,939	64	(6,016)	235	7,096	191,931
Net income for the year	—	—	7,537	—	7,537	—	—	—	—	—	7,537
Gain on sales of treasury stock	—	0	—	0	1	—	—	—	—	—	1
Cash dividends	—	—	(1,928)	—	(1,928)	—	—	—	—	—	(1,928)
Purchases of treasury stock	—	—	—	(50)	(50)	—	—	—	—	—	(50)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(6)	—	(6)	—	—	—	—	—	(6)
Adjustments due to change in scope of application of equity method	—	—	(2,572)	8	(2,564)	—	—	—	—	—	(2,564)
Other	—	—	—	—	—	7,021	(56)	790	—	77	7,833
Balance at March 31, 2010	¥9,699	¥10,040	¥171,286	¥(5,427)	¥185,599	¥ 14,961	¥ 8	¥(5,225)	¥235	¥7,173	¥202,753

	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 gain on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
Balance at March 31, 2009	\$104,245	\$107,911	\$1,808,437	\$(57,878)	\$1,962,715	\$ 85,329	\$ 688	\$(64,660)	\$2,526	\$76,268	\$2,062,887
Net income for the year	—	—	81,008	—	81,008	—	—	—	—	—	81,008
Gain on sales of treasury stock	—	0	—	0	11	—	—	—	—	—	11
Cash dividends	—	—	(20,722)	—	(20,722)	—	—	—	—	—	(20,722)
Purchases of treasury stock	—	—	—	(537)	(537)	—	—	—	—	—	(537)
Disposition of treasury stock	—	—	—	0	0	—	—	—	—	—	0
Decrease in retained earnings resulting from changes in scope of consolidation	—	—	(64)	—	(64)	—	—	—	—	—	(64)
Adjustments due to change in scope of application of equity method	—	—	(27,644)	86	(27,558)	—	—	—	—	—	(27,558)
Other	—	—	—	—	—	75,462	(602)	8,491	—	828	84,190
Balance at March 31, 2010	\$104,245	\$107,911	\$1,840,993	\$(58,330)	\$1,994,830	\$ 160,802	\$ 86	\$(56,159)	\$2,526	\$77,096	\$2,179,202

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Operating activities			
Income before income taxes and minority interests	¥ 13,534	¥ 11,183	\$ 145,464
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	5,976	5,425	64,230
Loss on impairment of fixed assets	102	—	1,096
(Reversal of) provision for accrued retirement benefits for employees, net of payments	(78)	196	(838)
Interest and dividend income	(997)	(1,431)	(10,716)
Interest expense	608	1,032	6,535
Exchange loss (gain), net	14	(152)	150
(Gain) loss on sales of property and equipment, net	(11)	63	(118)
Gain on sales of investments in securities, net	(82)	(7)	(881)
Loss on devaluation of investments in securities	706	1,235	7,588
Changes in operating assets and liabilities:			
Notes and accounts receivable	(19,733)	65,436	(212,092)
Prepaid pension expense	1,388	2,156	14,918
Inventories	9,400	2,441	101,032
Notes and accounts payable	18,129	(44,476)	194,852
Allowance for voluntary recall expenses	(136)	(435)	(1,462)
Other, net	1,807	626	19,422
Subtotal	30,628	43,294	329,192
Interest and dividends received	1,196	1,714	12,855
Interest paid	(623)	(1,003)	(6,696)
Income taxes paid	(3,326)	(7,843)	(35,748)
Net cash provided by operating activities	27,875	36,161	299,602
Investing activities			
Purchases of short-term investments in securities	(10,000)	—	(107,481)
Proceeds from sales of short-term investments in securities	10,000	—	107,481
Purchases of property and equipment	(6,537)	(9,681)	(70,260)
Proceeds from sales of property and equipment	29	92	312
Purchases of investments in securities	(3,333)	(945)	(35,823)
Proceeds from sales of investments in securities	1,059	621	11,382
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(187)	—	(2,010)
Purchases of investments in capital	(177)	(329)	(1,902)
(Increase) decrease in short-term loans receivable, net	(229)	11	(2,461)
Purchases of intangible fixed assets	(672)	(814)	(7,223)
Other, net	610	(17)	6,556
Net cash used in investing activities	(9,438)	(11,062)	(101,440)
Financing activities			
Decrease in short-term loans, net	(9,657)	(7,095)	(103,794)
Proceeds from long-term debt	200	5,020	2,150
Cash dividends paid	(1,928)	(3,215)	(20,722)
Cash dividends paid to minority shareholders	(182)	(207)	(1,956)
Other, net	(184)	(51)	(1,978)
Net cash used in financing activities	(11,753)	(5,549)	(126,322)
Effect of exchange rate changes on cash and cash equivalents	(18)	(6,897)	(193)
Net increase in cash and cash equivalents	6,664	12,651	71,625
Cash and cash equivalents at beginning of the year	36,137	23,486	388,403
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	6	—	64
Cash and cash equivalents at end of the year (Note 19)	¥ 42,807	¥ 36,137	\$ 460,092

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, 2009 to the 2010 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 ¥93.04 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2010. 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, 2010 and 2009 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 (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 companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

(b) Foreign Currency Translation

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

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

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests 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" in a component of net assets 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 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 net assets. 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.

(Supplementary information)

Effective the year ended March 31, 2009, based on the revision of the Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries have changed the useful life of certain machinery as a result of the reconsideration of the useful life of certain machinery to reflect more realistic useful lives.

The effect of this change on operating results for the year ended March 31, 2009 was immaterial.

(g) Computer Software (except for leased assets)

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

(h) Goodwill and Negative Goodwill

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

(i) Leased Assets

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

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

(j) Allowance for Doubtful Receivables

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

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed based on the

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

(l) Accrued Bonuses for Employees

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

(n) Retirement Benefits

The Company has defined benefit pension plans, defined contribution pension plans and retirement benefit plans. The domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

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

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

(Supplementary information)

One domestic consolidated subsidiary transferred its tax-qualified pension plan to a defined contribution pension plan on November 1, 2009, and in connection with this transfer, the Company recognized the terminal loss of ¥91 million (\$978 thousand) as other expenses, which was included in other, net in the consolidated statement of income for the year ended March 31, 2010 in accordance with "Accounting for Transfers between Retirement Benefit Plans" (Accounting Standards Board of Japan (ASBJ) Guidance No. 1).

(o) Allowance for Voluntary Recall Expenses

The Company made provision for voluntary recall expenses for certain products at an estimated amount based on the progress of the recall and associated expenses including storage, shipping and communication costs as of balance sheet dates.

3. Changes in Accounting Policies

(a) Changes in Method of Accounting for Measuring of Retirement Benefits

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

(b) Changes in Method of Accounting for Measuring of Inventories

Up to the year ended March 31, 2008, inventories were stated at the lower of cost or market, cost being determined by the weighted-average method.

Effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value. As a result, gross profit and operating income and income before income taxes and minority interests decreased by ¥586 million for the year ended March 31, 2009 from the corresponding amounts that would have been recorded under the previous method.

The effect on segment information is presented in Note 20.

(p) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize derivative financial instruments principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established a control environment that includes policies and procedures for risk assessment in accordance with the Company's rules for foreign exchange transactions and interest-rate swap transactions.

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

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

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

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

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

(q) Research and Development Expenses

Research and development expenses are charged to income when incurred.

(r) 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 21.)

(c) Application of Accounting Standard for Leases

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised by the ASBJ on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised by the ASBJ on March 30, 2007). According to the new accounting standard, lease transactions are accounted for as finance leases if substantially all of the benefits and risks of ownership have been transferred to the lessee. The adoption of this standard had no impact on operating results for the year ended March 31, 2009.

(d) Accounting Policies Applied to Overseas Subsidiaries

Effective the year ended March 31, 2009, the Company and its overseas consolidated subsidiaries have adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18 issued on May 17, 2006). The adoption of this standard had no impact on operating results for the year ended March 31, 2009.

4. Inventories

Inventories at March 31, 2010 and 2009 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished goods	¥28,456	¥37,303	\$305,847
Work in process	566	448	6,083
Raw materials and supplies	2,029	2,320	21,808
Total	¥31,052	¥40,072	\$333,749

5. Investments in Securities

(a) Marketable securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen							
	2010				2009			
	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	¥19,001	¥24,575	¥ (301)	¥43,277	¥18,735	¥15,426	¥(2,077)	¥32,084
Government bonds	14	0	—	14	14	0	—	14
Total	¥19,015	¥24,576	¥ (301)	¥43,291	¥18,749	¥15,426	¥(2,077)	¥32,099

	Thousands of U.S. dollars			
	2010			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	\$204,224	\$264,134	\$ (3,235)	\$465,144
Government bonds	150	0	—	150
Total	\$204,374	\$264,144	\$ (3,235)	\$465,294

(b) Securities classified as other securities for which market value was not determinable at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities	¥2,977	¥1,380	\$31,997
Bonds and debentures	0	0	0
Total	¥2,977	¥1,380	\$31,997

(c) Proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Proceeds from sales	¥179	¥530	\$1,924
Gain on sales	140	19	1,505
Loss on sales	—	0	—

6. Short-term Loans, Long-term Debt and Finance Lease Obligations

Short-term loans at March 31, 2010 and 2009 principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 2.12% and 3.89% per annum, respectively.

Long-term debt and finance lease obligations at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured loans from banks and insurance companies, payable in yen and euro, due through 2018, at rates from 1.50% to 5.95%	¥11,242	¥13,797	\$120,830
Lease obligations	369	399	3,966
	11,611	14,196	124,796
Less current portion	(183)	(2,787)	(1,967)
Total	¥11,428	¥11,409	\$122,829

The aggregate annual maturities of long-term debt and finance lease obligations subsequent to March 31, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 183	\$ 1,967
2012	709	7,620
2013	5,847	62,844
2014	4,442	47,743
2015 and thereafter	429	4,611
Total	¥11,611	\$124,796

7. Pledged Assets

At March 31, 2010, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 560	\$ 6,019
Investments in securities	1,778	19,110
Total	¥2,338	\$25,129

8. Retirement Benefits

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

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2010 and 2009 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Retirement benefit obligation	¥(20,443)	¥(21,581)	\$(219,723)
Plan assets at fair value	13,719	15,025	147,453
Unfunded retirement benefit obligation	(6,724)	(6,555)	(72,270)
Unrecognized actuarial loss	(91)	1,055	(978)
Net retirement benefit obligation	(6,815)	(5,500)	(73,248)
Prepaid pension expense	—	(1,388)	—
Accrued retirement benefits recognized in the consolidated balance sheets	¥ (6,815)	¥ (6,888)	\$ (73,248)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 961	¥1,128	\$10,329
Interest cost	453	471	4,869
Expected return on plan assets	(270)	(302)	(2,902)
Amortization of actuarial loss	1,046	2,147	11,242
Loss on transition to a defined contribution pension plan	—	13	—
Contributions to defined contribution pension plans	94	49	1,010
Retirement benefit expenses	¥2,284	¥3,507	\$24,549

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%

9. 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, 2010 and 2009.

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

The effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2009 differ from the statutory tax rate for the following reasons:

	2009
Statutory tax rate	40.7%
Effect of:	
Expenses not deductible for income tax purposes	6.5
Dividends and other income deductible for income tax purposes	(7.6)
Net adjustment resulting from elimination of dividend income upon consolidation	12.2
Different tax rates applied at overseas subsidiaries	(10.9)
Tax credit	(6.7)
Valuation allowance	1.9
Other, net	6.9
Effective tax rates	43.0%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income purposes. The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Unrealized gain on inventories	¥ 362	¥ 397	\$ 3,891
Allowance for doubtful receivables	775	732	8,330
Investments in securities	3,651	3,454	39,241
Accrued bonuses for employees	1,087	873	11,683
Accrued retirement benefits for employees	3,313	3,082	35,608
Voluntary recall expense of goods	—	65	—
Other	2,791	2,395	29,998
Gross deferred tax assets	11,982	11,001	128,783
Valuation allowance	(4,936)	(4,089)	(53,052)
Total deferred tax assets	¥ 7,045	¥ 6,911	\$ 75,720
Deferred tax liabilities:			
Revaluation of land	¥ (371)	¥ (371)	\$ (3,988)
Deferred capital gain on property	(1,180)	(1,215)	(12,683)
Net unrealized holding gain on securities	(9,225)	(5,193)	(99,151)
Reserve for special depreciation	(1,744)	—	(18,745)
Other	(249)	(364)	(2,676)
Total deferred tax liabilities	(12,771)	(7,145)	(137,264)
Net deferred tax liabilities	¥ (5,725)	¥ (233)	\$ (61,533)

10. 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, 2010 and 2009 amounted to ¥2,424 million (\$26,053 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, 2010 and 2009 are summarized as follows:

	Number of shares			
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Common stock	138,408,285	—	—	138,408,285
2009				
	March 31, 2008	Increase	Decrease	March 31, 2009
Common stock	138,408,285	—	—	138,408,285

11. Treasury Stock

Movements in treasury stock during the years ended March 31, 2010 and 2009 are summarized as follows:

	Number of shares			
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Treasury stock	9,846,589	47,679	34,911	9,859,357
2009				
	March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock	9,844,934	103,942	102,287	9,846,589

12. Share-based Compensation

At March 31, 2010, the Company had four stock option plans: the 2005, 2006, 2007 and 2008 stock option plans.

The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 28, 2005. The 2005 plan provided for granting options to purchase 762,000 shares of common stock to directors, corporate auditors, executive officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,169 (\$12.56) per share at March 31, 2010. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2007 and are scheduled to expire on July 31, 2010.

The 2006 stock option plan (the 2006 plan) was approved by shareholders of the Company on June 28, 2006. The 2006 plan provided for granting options to purchase 781,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,510 (\$16.23) per share at March 31, 2010. This exercise price is subject to adjustment in certain cases which include stock splits. The options became

exercisable on August 1, 2008 and are scheduled to expire on July 31, 2011.

The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 27, 2007. The 2007 plan provided for granting options to purchase 419,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,647 (\$17.70) per share at March 31, 2010. 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 (\$11.97) per share at March 31, 2010. This exercise price is subject to adjustment in certain cases which include stock splits. The options become 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 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan
Number of shares:					
Outstanding at March 31, 2008	238,000	713,000	781,000	419,000	—
Granted	—	—	—	—	421,000
Expired	—	—	—	—	—
Exercised	—	—	—	—	—
Outstanding at March 31, 2009	238,000	713,000	781,000	419,000	421,000
Granted	—	—	—	—	—
Expired	(238,000)	(3,000)	(3,000)	(2,000)	(2,000)
Exercised	—	—	—	—	—
Outstanding at March 31, 2010	—	710,000	778,000	417,000	419,000
			(Yen)		
Fair value of options as of the grant date	—	—	¥158	¥143	¥124
			(U.S. dollars)		
Fair value of options as of the grant date	—	—	\$1.70	\$1.54	\$1.33

13. Financial Instruments

(a) Policy for Financial Instruments

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

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

Receivables such as trade and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer 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. Operating liabilities such as notes and accounts payable trade generally have payment dates within one year.

In the cases of those receivables and liabilities denominated in foreign currencies, foreign currency forward contracts are used to hedge the risk of fluctuation. However,

for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the netted position.

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

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

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

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

(c) Market Value of Financial Instruments

Carrying amount, estimated fair value and resulting differences as of March 31, 2010, are as follows. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

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

	Thousands of U.S. dollars		
	Carrying amount	Estimated fair value	Unrecognized gain (loss)
Assets			
Cash and time deposits	\$ 460,092	\$ 460,092	\$ —
Notes and accounts receivable	2,009,727	2,009,727	(0)
Investments in securities			
Available-for-sale securities	465,294	465,294	—
Total assets	\$2,935,125	\$2,935,125	\$ (0)
Liabilities			
Notes and accounts payable	\$1,167,702	\$1,167,702	\$ —
Short-term loans, including current portion of long-term debt	111,909	111,909	—
Long-term debt	119,347	121,711	2,354
Total liabilities	\$1,398,979	\$1,401,333	\$2,354
Derivatives			
Subject to hedge accounting (*)	\$ (1,376)	\$ (1,376)	\$ —
Not subject to hedge accounting	193	193	—
Total derivative transactions	\$ (1,182)	\$ (1,182)	\$ —

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

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

Cash and time deposits

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

Notes and accounts receivable

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

Investments in securities

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

Notes and accounts payable, and short-term loans

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

Long-term debt

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

Derivative transactions

Please refer to Note "14. Derivatives and Hedging Activities."

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

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥ 2,977	\$ 31,997
Investments in unconsolidated subsidiaries and affiliates	7,420	79,751
Total	¥10,397	\$111,748

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 cash and time deposits, notes and accounts receivable and investments in securities with maturity dates at March 31, 2010 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 42,774	¥—
Notes and accounts receivable	186,908	76
Investments in securities		
Government bonds	—	14
Total	¥229,683	¥91

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 459,738	\$ —
Notes and accounts receivable	2,008,899	817
Investments in securities		
Government bonds	—	150
Total	\$2,468,648	\$978

With respect to the redemption schedule of short-term loans, long-term debt and finance lease obligations, please refer to Note "6. Short-term Loans, Long-term Debt and Finance Lease Obligations."

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

14. Derivatives and Hedging Activities

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

	Type	Millions of yen		
		Year ended March 31, 2010		
		Contract value	Estimated fair value	Unrecognized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Selling:			
	U.S. dollars	¥4,538	¥ (109)	¥ (109)
	Yen	1,324	(21)	(21)
	Euro	485	19	19
	Others	2	(0)	(0)
	Buying:			
	U.S. dollars	1,143	7	7
	Yen	994	(25)	(25)
	Euro	37	(0)	(0)
	Others	3	0	0
Total		¥8,530	¥ (128)	¥ (128)

		Thousands of U.S. dollars		
		Year ended March 31, 2010		
Type		Contract value	Estimated fair value	Unrecognized gain (loss)
Over-the-counter transactions	Forward foreign exchange contracts:			
	Selling:			
	U.S. dollars	\$48,775	\$(1,172)	\$(1,172)
	Yen	14,230	(226)	(226)
	Euro	5,213	204	204
	Others	21	(0)	(0)
	Buying:			
	U.S. dollars	12,285	75	75
	Yen	10,684	(269)	(269)
	Euro	398	(0)	(0)
	Others	32	0	0
Total		\$91,681	\$(1,376)	\$(1,376)

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

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

		Millions of yen			
		Year ended March 31, 2010			
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	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		¥1,664	¥ —	¥ (48)
	Euro	Accounts receivable	123	3	2
	Others		2	—	(0)
	Buying:				
	U.S. dollars		1,991	—	64
Allocation method for forward foreign exchange contracts (Note2(p))	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		2,013	—	—
	Euro	Accounts receivable	346	—	—
	Others		173	—	—
	Buying:				
	U.S. dollars		513	—	—
Total	Forward foreign exchange contracts:				
	Selling:				
	U.S. dollars		2,013	—	—
	Euro	Accounts receivable	346	—	—
	Others		173	—	—
	Buying:				
	U.S. dollars		513	—	—
Total			¥7,003	¥ 3	¥ 18

		Thousands of U.S. dollars				
		Year ended March 31, 2010				
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	Forward foreign exchange contracts:					
	Selling:					
	U.S. dollars		\$17,885	\$ —	\$(516)	
	Euro	Accounts receivable	1,322	32	21	
	Others		21	—	(0)	
	Buying:					
	U.S. dollars		21,399	—	688	
	Euro	Accounts payable	892	—	(0)	
	Others		64	—	(0)	
	Allocation method for forward foreign exchange contracts (Note2(p))	Forward foreign exchange contracts:				
		Selling:				
U.S. dollars			21,636	—	—	
Euro		Accounts receivable	3,719	—	—	
Others			1,859	—	—	
Buying:						
U.S. dollars			5,514	—	—	
Euro		Accounts payable	742	—	—	
Others			150	—	—	
Total				\$75,269	\$ 32	\$ 193

The fair value of forward foreign exchange contracts that qualify for deferral hedge accounting is included in accounts receivables and accounts payables. Fair value is based on the prices obtained from financial institutions.

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

		Millions of yen			
		Year ended March 31, 2010			
Method for hedge accounting	Type of derivative transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Swap rate applied to underlying debt (Note 2(p))	Interest-rate swap transaction (pay-fixed, receive-floating)	Long-term debt	¥8,000	¥8,000	—

		Thousands of U.S. dollars			
		Year ended March 31, 2010			
Method for hedge accounting	Type of derivative transaction	Hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Estimated fair value
Swap rate applied to underlying debt (Note 2(p))	Interest-rate swap transaction (pay-fixed, receive-floating)	Long-term debt	\$85,985	\$85,985	—

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 payable, their fair values were included in long-term loans payable.

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2010 and 2009 totaled ¥3,241 million (\$34,834 thousand) and ¥2,985 million, respectively.

16. Leases

(a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation 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, 2010 and 2009, 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				2009			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	¥ 87	¥ 54	¥ 25	¥ 7	¥135	¥ 79	¥34	¥20
Furniture and fixtures	116	89	—	26	141	94	—	47
Software included in other assets	44	24	—	20	48	19	—	29
Total	¥248	¥168	¥25	¥54	¥326	¥193	¥34	¥97

	Thousands of U.S. dollars			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	\$ 935	\$ 580	\$269	\$ 75
Furniture and fixtures	1,247	957	—	279
Software included in other assets	473	258	—	215
Total	\$2,666	\$1,806	\$269	\$580

The related lease payments, reversal of impairment loss, depreciation expense and interest expenses related to finance leases accounted for as operating leases for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Lease payments	¥57	¥71	\$ 613
Reversal of impairment loss	9	8	97
Depreciation expense	49	61	527
Interest expense	5	8	54

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

Future minimum lease payments subsequent to March 31, 2010 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
2011	¥39	\$419
2012 and thereafter	48	516
Total	¥87	\$935

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2010 under operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥70	\$752
2012 and thereafter	10	107
Total	¥81	\$871

17. Contingent Liabilities

At March 31, 2010, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥711 million (\$7,642 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥30 million (\$322 thousand).

In addition, at March 31, 2010, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥367 million (\$3,945 thousand).

18. Amounts Per Share

	Yen		U.S. dollars
	2010	2009	2010
Net income:			
Basic	¥ 58.64	¥ 45.17	\$ 0.63
Diluted	—	45.17	—
Net assets	1,519.61	1,435.88	16.33
Cash dividends applicable to the year	16.00	16.00	0.17

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 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 each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of the stock options.

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

The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

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

The financial data used in the computation of basic net income per share and diluted net income per share for the years ended March 31, 2010 and 2009 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Net income	¥7,537	¥5,808	\$81,008
Adjusted net income available for distribution to shareholders of common stock	¥7,537	¥5,808	\$81,008
Weighted-average number of shares	128,553,733	128,570,992	
Effect of dilutive securities (number)	—	6,057	

19. Cash and Time Deposits

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2010 and 2009 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
	2010	2009	2010
Cash and time deposits	¥42,807	¥26,137	\$460,092
Marketable securities maturing within three months	—	10,000	—
Cash and cash equivalents	¥42,807	¥36,137	\$460,092

20. Segment Information

The Company has five business segments: Chemicals, which includes coloring materials, pigments, information recording products, functional color pigments, materials for paints and inks, urethane materials, plastic materials, plastic additives, raw materials for industrial oil solutions, surfactants, fluoro-chemicals, raw materials for encapsulents, silicones; Plastics, which includes thermoplastics, thermosent resins, synthetic rubber, inorganic materials, plastic products, plastic-related equipment, devices and dies, optical inspection equipment; Electronics, which includes materials for liquid crystal display panels, semiconductors assembly materials and equipment, precision cleaning agents for elec-

tronics, low-temperature vacuum equipment, and functional epoxy resins; Life Sciences, which includes materials for pharmaceuticals and agrichemicals, research products, diagnostic agents, fermentation products, biotechnology-related products, radiation-measuring services, cosmetics, health foods and beauty foods; and Others, which includes logistics services, information processing services and professional services.

The business and geographical segment information and the overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

(a) Business Segment Information

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

Millions of yen								
Year ended March 31, 2009								
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥248,461	¥253,029	¥153,255	¥58,905	¥1,585	¥715,238	¥ —	¥715,238
Intersegment sales	45	183	277	18	4,885	5,409	(5,409)	—
Net sales	248,506	253,213	153,532	58,924	6,470	720,647	(5,409)	715,238
Operating expenses	243,160	250,769	150,485	57,755	6,307	708,478	(5,763)	702,715
Operating income	¥ 5,346	¥ 2,443	¥ 3,046	¥ 1,169	¥ 162	¥ 12,168	¥ 353	¥ 12,522
Total assets	¥113,485	¥103,349	¥ 73,639	¥35,091	¥4,662	¥330,229	¥10,738	¥340,968
Depreciation and amortization	1,245	965	2,122	838	252	5,425	—	5,425
Capital expenditures	1,950	2,079	4,298	995	717	10,040	—	10,040

Thousands of U.S. dollars								
Year ended March 31, 2010								
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	\$2,548,624	\$2,069,744	\$1,263,876	\$596,969	\$12,049	\$6,491,283	\$ —	\$6,491,283
Intersegment sales	11	2,354	1,709	183	45,067	49,334	(49,334)	—
Net sales	2,548,646	2,072,098	1,265,595	597,152	57,115	6,540,628	(49,334)	6,491,283
Operating expenses	2,475,688	2,047,625	1,235,737	587,016	57,061	6,403,138	(52,956)	6,350,183
Operating income	\$ 72,947	\$ 24,473	\$ 29,858	\$ 10,125	\$ 54	\$ 137,479	\$ 3,611	\$ 141,101
Total assets	\$1,419,379	\$1,059,920	\$ 779,149	\$373,818	\$66,799	\$3,699,086	\$257,147	\$3,956,234
Depreciation and amortization	17,584	10,103	22,904	10,082	3,525	64,230	—	64,230
Capital expenditures	12,199	10,737	35,372	4,858	14,908	78,095	—	78,095

As discussed in Note 3(b), effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value. As a result, operating income decreased by ¥140 million in the Chemicals segment, by ¥35 million in the Plastics segment, by ¥67 million in the Electronics segment and by ¥343 million in the Life Sciences segment for the year ended March 31, 2009 from the corresponding amounts that would have been recorded under the previous method.

Through March 31, 2009, the Company included the operations involving

insulating, fluoroplastic-related, other materials that are part of the Information and Functional Materials Department as well as surface inspection systems for functional film sheets in the Electronics segment. Effective April 1, 2009, the Company included operations involving insulating, fluoroplastic-related, other materials that are part of the Information and Functional Materials Department in the Chemicals segment and included operations related to surface inspection systems for functional film sheets in the Plastics segment. Management believes this change capture greater business synergies.

The Company has also reclassified the previously reported business segment information for the year ended March 31, 2009 to conform to this revised segmentation. Business segment information based on the new classification for the year ended March 31, 2009 is summarized as follows:

Millions of yen								
Year ended March 31, 2009								
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥263,114	¥255,859	¥135,773	¥58,905	¥1,585	¥715,238	¥ —	¥715,238
Intersegment sales	45	183	277	18	4,885	5,409	(5,409)	—
Net sales	263,159	256,042	136,050	58,924	6,470	720,647	(5,409)	715,238
Operating expenses	257,545	253,357	133,511	57,755	6,307	708,478	(5,763)	702,715
Operating income	¥ 5,613	¥ 2,684	¥ 2,538	¥ 1,169	¥ 162	¥ 12,168	¥ 353	¥ 12,522
Total assets	¥113,485	¥103,349	¥ 73,639	¥35,091	¥4,662	¥330,229	¥10,738	¥340,968
Depreciation and amortization	1,245	965	2,122	838	252	5,425	—	5,425
Capital expenditures	1,950	2,079	4,298	995	717	10,040	—	10,040

(b) Geographical Segment Information

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

Millions of yen								
Year ended March 31, 2009								
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥450,101	¥151,622	¥78,160	¥19,020	¥16,333	¥715,238	¥ —	¥715,238
Intersegment sales	60,205	13,079	2,908	1,554	3,859	81,606	(81,606)	—
Net sales	510,306	164,702	81,068	20,574	20,192	796,844	(81,606)	715,238
Operating expenses	505,141	160,241	79,000	20,312	19,658	784,355	(81,640)	702,715
Operating income	¥ 5,164	¥ 4,460	¥ 2,067	¥ 261	¥ 533	¥ 12,489	¥ 33	¥ 12,522
Total assets	¥263,441	¥ 43,406	¥23,101	¥ 4,168	¥ 6,554	¥340,672	¥ 295	¥340,968

Thousands of U.S. dollars								
Year ended March 31, 2010								
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total	Eliminations or corporate	Consolidated
Sales to customers	\$4,369,819	\$1,271,894	\$570,443	\$145,120	\$133,996	\$6,491,283	\$ —	\$6,491,283
Intersegment sales	599,721	49,893	17,337	12,339	27,504	706,825	(706,825)	—
Net sales	4,969,551	1,321,797	587,779	157,459	161,511	7,198,119	(706,825)	6,491,283
Operating expenses	4,882,782	1,287,210	572,302	156,728	159,061	7,058,104	(707,921)	6,350,183
Operating income	\$86,758	\$ 34,587	\$ 15,477	\$ 720	\$ 2,440	\$ 140,004	\$ 1,096	\$ 141,101
Total assets	\$3,076,204	\$ 460,361	\$237,339	\$ 42,552	\$ 78,601	\$3,895,077	\$ 61,156	\$3,956,234

As discussed in Note 3(b), effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value.

As a result, operating income decreased by ¥586 million in the Japan segment for the year ended March 31, 2009 from the corresponding amount that would have been recorded under the previous method.

(c) Overseas Sales

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

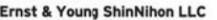
	Millions of yen				
	Year ended March 31, 2009				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	¥188,082	¥89,577	¥21,783	¥20,921	¥320,364
Consolidated net sales					¥715,238
Overseas sales as a percentage of consolidated net sales	26.3%	12.5%	3.1%	2.9%	44.8%

	Thousands of U.S. dollars				
	Year ended March 31, 2010				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	\$ 1,556,965	\$ 727,805	\$ 172,163	\$ 160,931	\$ 2,617,874
Consolidated net sales					\$ 6,491,283

21. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2010, was approved at a meeting of the shareholders held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥9.0 = U.S.\$0.10 per share)	¥1,156	\$12,425

The Board of Directors
NAGASE & CO., LTD.

We have audited the accompanying consolidated balance sheets of NAGASE & CO., LTD. and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and consolidated subsidiaries at March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.



Osaka, Japan
June 25, 2010

Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ● Company accounted for under the equity method

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
JAPAN							
Manufacturing and Processing							
●	Nagase ChemteX Corp.	Manufacture of epoxy resins, enzymes, industrial chemicals	2,474	1970	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2582 Fax: 06-6535-2174
●	Nagase Medicals Co., Ltd.	Manufacture of pharmaceuticals	498	1972	100.0	4-323, Senzo, Itami-City, Hyogo	Tel: 072-778-7501 Fax: 072-778-7506
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	300	1966	100.0	2-22, TakaidaNishi 5-chome, Higashi Osaka-City, Osaka	Tel: 06-6783-5231 Fax: 06-6783-5228
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	270	1952	77.1	1-33, Mitsuya Minami 1-chome, Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6308-8300 Fax: 06-6308-7020
●	Kotobuki Kasei Corp.	Molding, processing and sale of plastic products	20	1972	57.5	7-9, Satsukicho, Kanuma-City, Tochigi	Tel: 0289-72-0112 Fax: 0289-72-0114
●	Sun Delta Corporation	Development of applications for plastic products and manufacture and sale of processed products	490	2005	50.0	5F, Jimbocho Mitsui Bldg., 1-105, Kanda-Jinbocho, Chiyoda-ku, Tokyo	Tel: 03-3296-3210 Fax: 03-3296-3489
●	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	100	1968	40.0	8-11, Minami Hashimoto 4-chome, Sagami-hara-City, Kanagawa	Tel: 042-773-3111 Fax: 042-774-4369
●	Gigatec Inc.	Design, manufacture and sale of high-frequency power amplifiers	97	1989	41.2	625, Shimo Ooshimamachi, Takasaki-City, Gunma	Tel: 027-343-1590 Fax: 027-343-3365
●	Toyo Beauty Supply Corp.	Contract manufacture of cosmetics	40	1964	40.0	3-10, Nihonbashi-Hongokuchō 3-chome, Chuo-ku, Tokyo	Tel: 03-3241-1410 Fax: 03-3270-6338
●	eX . Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	23	2003	30.4	Daido-Showacho Dai 2 Bldg., 1-30, Showacho 5-chome, Abeno-ku, Osaka-City, Osaka	Tel: 06-6623-7633 Fax: 06-6623-7638
●	Nagase Filters Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	80	2006	100.0	9-6, Takaidanaka 4-chome, Higashi Osaka-City, Osaka	Tel: 06-6782-3324 Fax: 06-6782-3304
●	Kawai Hiryo Corporation	Manufacture and sale of organic fertilizer and agricultural chemicals and materials	13	1981	100.0 (33.3)	2226, Maeno, Iwata-City, Shizuoka	Tel: 0538-35-6450 Fax: 0538-35-6469
●	SN Tech Corporation	Manufacture of developer, recycling business	400	2008	40.0 (5.0)	6-27, Mizuhai 5-chome, Higashi Osaka-City, Osaka	Tel: 06-6268-0145 Fax: 06-6268-0181
●	Fukui Yamada Chemical Co., Ltd.	Manufacture of color former	250	1985	34.0	111-1, Aza, Yonozu 49, Mikuni-cho, Sakai-City, Fukui	Tel: 0776-82-6000 Fax: 0776-82-6234
Servicing							
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	401	1982	100.0	4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-City, Hyogo	Tel: 06-6427-8651 Fax: 06-6427-8772
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these.	45	1989	100.0	5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6324-7626 Fax: 06-6324-7680
●	Hoei Techno Service Co., Ltd.	Duplication and processing of computer software, warehousing and distribution	50	1991	100.0 (100.0)	2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3274-7875 Fax: 03-3274-7884
●	Nagase General Service Co., Ltd.	Sale and lease of various goods, real estate administration	20	1983	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3313 Fax: 03-3665-3312
●	Nagase Information Development, Ltd.	Software development and maintenance	30	1987	100.0	5F, Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3231-3581 Fax: 03-3231-3584
●	Nagase Trade Management Co., Ltd.	Business agent for foreign trade documentation	20	1996	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3125 Fax: 03-3665-3036
●	NCK Ltd.	Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers	10	1985	100.0(100.0)	236, Nakai, Tatsuno-cho, Tatsuno-City, Hyogo	Tel: 0791-63-4842 Fax: 0791-63-4913
●	Nippon Vopac Co., Ltd.	Warehousing, motor truck carrier business and freight transportation services	404	1966	19.9	Ehara Bldg., 5-7, Kajicho 1-chome, Chiyoda-ku, Tokyo	Tel: 03-3254-9571 Fax: 03-3254-9566
●	Nagase Landauer, Ltd.	Radiation measuring services	88	1974	50.0	C22 gaiku -1, Suwa, Tsukuba-City, Ibaraki	Tel: 029-839-3320 Fax: 029-836-8441
●	iGENE Therapeutics, Inc.	Research and development of bioagents based on RNAi technology, contract development, manufacturing, importing and exporting, sales and technological guidance	26	2003	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3143 Fax: 03-3665-3324
●	Green Park Company, Ltd.	Contract operation and management of monthly/coin parking and planning, research, design, consulting, and information services for effective use of car parking	10	2002	100.0 (100.0)	2-15, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka (Nagase Parking 2F)	Tel: 06-6535-2448 Fax: 06-6535-2686
●	Umemoto Sagyo & Co., Ltd.	An exclusive stevedore for Nagase Logistics Co., Ltd.	10	1954	100.0 (100.0)	4-45, Higashi Tsukaguchi-cho 2-chome, Amagasaki-City, Osaka	Tel: 06-6427-3571
●	ON Co-Labo Corporation	Promotion and handling of overseas textile related business	70	2007	50.0 (25.0)	1-43, Miyahara 4-chome, Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6395-1911 Fax: 06-6395-1555
●	Choko Co., Ltd.	Insurance agency	15	1971	37.7	11F, Toho Bldg., 1-13, Nishi Shinsaibashi 1-chome, Chuo-ku, Osaka-City, Osaka	Tel: 06-6244-0125 Fax: 06-6258-3385
Sales							
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	60	1995	100.0	6F, Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-5640-7431 Fax: 03-5640-0791
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	96	1975	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6533-1181 Fax: 06-6533-1189

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
●	Nagase Colors & Chemicals Co., Ltd.	Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision	100	1957	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2206 Fax: 06-6535-2054
●	Hoei Sangyo Co., Ltd.	Sale of film materials, magnetic products, information imaging materials, etc.	250	1974	80.5	Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3274-7880 Fax: 03-3274-7882
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	100	1991	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3617 Fax: 03-3665-3724
●	Nishinohon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	60	1969	100.0	6F, Hakata Tokyo Kaijo Nichido Bldg., 1-3, Shimokawabata-machi, Hakata-ku, Fukuoka-City, Fukuoka	Tel: 092-272-3661 Fax: 092-272-3667
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	20	1979	100.0	4F, Nihonbashi Tachibana Bldg., 6-11, Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo	Tel: 03-3661-0821 Fax: 03-3661-1560
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives, inorganic materials and related equipment	50	1955	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2533 Fax: 06-6535-2534
●	Nagase Sanbio Co., Ltd.	Sale of enzymes and additives for food and feed	30	1987	100.0 (13.0)	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2318 Fax: 06-6535-2531
●	Nagase Chemspec Co., Ltd.	Sale and technological servicing of chemicals	30	1976	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3726 Fax: 03-3665-3746
●	CAPTEX Co., Ltd.	Manufacture and sale of batteries	196	2004	100.0	2-2, Inoue, Izumicho, Anjo-City, Aichi	Tel: 0566-73-2281 Fax: 0566-73-2287
●	Nihon UNF Co., Ltd.	Manufacture, sale, and import/export of pharmaceuticals and quasi drugs, management consulting, and investing business	26	2001	20.0	2297-6, Ooka, Numazu-City, Shizuoka	Tel: 0559-27-3117 Fax: 0559-27-3118
●	Shinshu Nagase Denzai Co., Ltd.	Sale of electronics components, raw materials for plastics and plastic products	10	1984	100.0	4-16, Akabane 1-chome, Okaya-City, Nagano	Tel: 0266-24-2772 Fax: 0266-24-3311
●	OnFine Co., Ltd.	Manufacture and sale of electronics and fluorine and polysilane variants for use in materials	10	2002	25.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2585 Fax: 06-6535-2174
●	AikawaKogyo Co., Ltd.	Sale of resin for automobile model, plaster, and resin for construction machinery	10	1965	49.0	3F, Toyo Bldg., Kamiyama, Setagaya-ku, Tokyo	Tel: 03-5486-1711 Fax: 03-5486-1717
GREATER CHINA (GC) AND KOREA							
Manufacturing and Processing							
●	Nagase ChemteX (Wuxi) Corp.	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology service	US\$3,500	2002	100.0 (50.0)	B-B, Machinery & Electronic Industry Park, Wuxi National Hi-tech Industrial Development Zone, Jiangsu, P.R.China	Tel: 86-510-8520-0052 Fax: 86-510-8520-0209
●	Nagase International Electronics Ltd.	Management and operation of electronics-related business	HK\$10,000	2004	100.0 (20.0)	Suites 3901 & 3912-14, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, China	Tel: 852-2376-4811 Fax: 852-2376-1666
●	Totaku Industries Suzhou Co., Ltd.	Manufacture and sale of plastic products	US\$1,700	2005	100.0 (100.0)	9 Datong Road Export Processing Zone Suzhou NEW & Hi-Tech District, Suzhou, China 215-151	Tel: 86-512-6269-6007 Fax: 86-512-6269-6008
●	Nagase Precision Plastics Shanghai Co., Ltd.	Plastic tray molding	350	2001	99.0 (5.0)	B Block, 1st Fl, 173 Meisheng Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai, China	Tel: 86-21-58681661 Fax: 86-21-58681667
●	Nagase Electronics Technology Co., Ltd.	Chemical etching of liquid crystal glass panel units	NT\$178,000	2005	71.0 (11.0)	No.6 Yuanyun St., Guanyin Township, Taoyuan County328, Taiwan, R.O.C.	Tel: 886-3-416-0498 Fax: 886-3-438-9956
●	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	US\$7,000	2001	20.0	Jingquan 1st Rd., Yonghe Economic Zone, Guangzhou Economic & Technological Development Dist., Guangzhou City, Guangdong, China	Tel: 86-20-8297-0555 Fax: 86-20-8297-0551
●	Toyo Quality One (Guangzhou) Co., Ltd.	Research and development, manufacturing, processing, sale, technology consulting, and after-sale service for major automotive parts	US\$5,000	2004	20.0	North rd. Guangzhou Huadu Auto City Xinhua Town Huadu Guangzhou, China	Tel: 86-20-86733138 Fax: 86-20-86733125
●	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	US\$3,770	1993	24.2	No.302 Chengnan East Rd., Cicheng Town, Jiangbei Dist., Ningbo City, Zhejiang, China	Tel: 86-574-8757-0057 Fax: 86-574-8757-0885
●	Tokai Spring Mfg. (Foshan) Co., Ltd.	Development, manufacture, and sale of precision press products, spring, and standard molds	US\$3,300	2005	30.0	Jili Industrial Zone, Foshan high and new-tech industry development zone, Chancheng, Foshan, Guangdong, China	Tel: 86-757-8539-9702 Fax: 86-757-8539-9700
●	Shanghai Kincho Chemical Industry Co., Ltd.	Manufacture and sale of pesticide and related services	US\$300	1998	16.7	Rm T2-2C 2601 Xieltu Road Xuhui Shanghai, China	Tel: 86-21-6426-1726 Fax: 86-21-6426-3776
Servicing							
●	Nagase Marketing and Service (Shenzhen) Ltd.	Contract customer services	HK\$1,000	2006	100.0 (100.0)	Room 2501-02, China Resources Building, 5001 Shennan Dong Road, Shenzhen, China	Tel: 86-755-3338-0088 Fax: 86-755-3338-6999
●	Nagase CMS Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	US\$200	2006	100.0 (60.0)	Room 01, 03-06, 19F, The Exchange, No.299 TongRen Rd., JingAn District, Shanghai P.R. China	Tel: 86-21-3360-7171 Fax: 86-21-3360-7877
●	NW Consultant Service (Shenzhen) Ltd.	Print quality management consultant	HK\$700	2008	60.0 (30.0)	Rm. 1115, Building 10, CityView Garden (Chengshi Zhongxin Huayuan), Henggang, Loggang, Shenzhen, China	Tel: 86-755-2865-4082 Fax: 86-755-2865-4082
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	WON150,000	1997	100.0	Anyang Trade Center NO.925, 1107 Bisan-Dong, Dongan-Ku, Anyang-City, Kyongki-Do, Korea 431-050	Tel: 82-31-389-0881 Fax: 82-31-389-0884
Sales							
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	HK\$3,120	1971	100.0	Suites 3901 & 3912-14, Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, China	Tel: 852-2375-0000 Fax: 852-2377-2728

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	US\$2,400	1998	70.0 (53.8)	Room 605, Aviation Center, 1600 Nanjing Road West, Shanghai, P.R. China	Tel: 86-21-6248-1133 Fax: 86-21-6248-6533
	Suzhou Branch					Room 9A2, Science Plaza International Science & Technology Park, No. 1355 Jinji Lake Road, Suzhou Industrial Park, Suzhou, China	Tel: 86-512-88166288 Fax: 86-512-88166289
	Ningbo Branch					Room 1305, Huahong International, No. 717 Zhongxing Road Ningbo, Zhejiang P.R. China	Tel: 86-574-27838018 Fax: 86-574-27838028
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$1,000	1997	100.0	Room 01, 03-06, 19F, The Exchange, No. 299 Tongren Rd., JingAn District, Shanghai P.R. China	Tel: 86-21-3360-7171 Fax: 86-21-3360-7007
	Nanjing Branch					B2, 16/F Nanjing Shang Mao Century Plaza No. 49, Zhongshan South Road, Nanjing, China	Tel: 86-25-8443-3975 Fax: 86-25-8443-3675
●	Nagase Wahlee Plastics Corp.	Sale of plastics and related products	NT\$100,000	1990	60.0 (5.0)	9F1, Chuan Ta Bldg, No. 37, Ming Chuan E. Rd., Sec. 3, Taipei, Taiwan	Tel: 886-2-2506-2400 Fax: 886-2-2506-2401
	Taichung Office					10F-3, No. 161, Gongyi Rd., East district, Taizhong City Taiwan	Tel: 886-4-2305-7770 Fax: 886-4-2302-8227
	Gangshan Office					5F-B4, No. 434 Gangshan Rd., Gangshan township, Kaohsiung county, Taiwan	Tel: 886-7-624-0808 Fax: 886-7-624-3232
●	Guangzhou Nagase Trading Ltd.	Import/export, domestic sales, marketing	US\$500	2002	100.0 (100.0)	Room 5706-08, CITIC Plaza Office Tower 233 Tian He Bai Road, Guangzhou, Guangdong P.R. China	Tel: 86-20-3891-1101 Fax: 86-20-3891-1103
	Wuhan Branch					Room 1204, RuiTong Plaza B, No. 847 Jianshe Avenue-Hankou, Wuhan, China	Tel: 86-27-8548-7933 Fax: 86-27-8548-7953
	Chongqing Branch					Room 2806, A Zone ITC Plaza, No. 38 Qingnian Road, Yuzhong Avenue, Chongqing, China	Tel: 86-023-6310-6077 Fax: 86-023-6310-6077
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	NT\$45,000	1988	100.0	16F, 248, Sec. 3, Nanking E. Rd., Taipei, Taiwan, R.O.C.	Tel: 886-2-2773-3668 Fax: 886-2-2773-7288
	Xiamen Representative Office					Room 808, Commercial building Paragon Center, No. 1 Lianyue Road, Xiamen, Fujian, China	Tel: 86-592-2200-213 Fax: 86-592-2236-330
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$300	2003	100.0 (100.0)	Rm. 2008, 20/F, The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, China	Tel: 86-22-8319-1231 Fax: 86-22-8319-1122
	Dalian Branch					21/F, Senmao Building, No. 147 Zhong Shang Road, Xigang District Dalian, China	Tel: 86-411-8370-4271 Fax: 86-411-8370-4272
	Qingdao Branch					Room 1015, 10/F, Crowne Plaza, No. 76 Xiang Gang Zhong Road, Shinan District Qingdao, China	Tel: 86-532-6688-5231 Fax: 86-532-6688-5236
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	US\$1,200	2004	100.0 (100.0)	15F, Chang-An Taiwanese business people's Building Dezheng Road, Chang An, Dongguan, China	Tel: 86-769-5416501 Fax: 86-769-5416503
	Guangzhou Branch					1708-09, Jincheng Building, No. 850 Dongfeng E Rd., Yuexiu District, Guangzhou, China	Tel: 86-20-3889-3009 Fax: 86-20-3889-3016
●	Nagase Korea Corp.	General import/export trading, retailing/wholeselling, import/export trade agency	WON700,000	2001	100.0	23F, Danam Bldg, 5-120, Namadaemun-Ro, Jung-Gu, Seoul, Korea	Tel: 82-2-734-8745 Fax: 82-2-734-8747
ASEAN AND THE MIDDLE EAST							
Manufacturing and Processing							
●	Nagase Finechem Singapore (Pte) Ltd.	Manufacture and recycling of chemical agents for liquid crystals	S\$14,000	2001	100.0 (40.0)	9 Tuas View Lane, Singapore 637569	Tel: 65-6898-9289 Fax: 65-6898-5313
●	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	BAHT370,000	1997	40.0	64/20 Moo 4 Eastern Seaboard Industrial Estate T.Pluakdaeng A.Pluakdaeng Rayong 21140, Thailand	Tel: 66-38-955229 Fax: 66-38-955225
●	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	BAHT280,000	2000	32.1	Amata City Industrial Estate (Rayong) 7/117 Moo 4, Mabyangporn Pluakdaeng, Rayong 21140 Thailand	Tel: 66-38-956151 Fax: 66-38-956155
	Nafuko Co., Ltd.	Manufacture, import/export and sale of packaging materials and related equipment	BAHT10,000	1996	28.0 (28.0)	2nd Floor, Suwan Tower, 14/1 Soi Saradeang 1 North Sathorn rd. Silom, Bangrak, Bangkok 10500, Thailand	Tel: 66-2-267-6319 Fax: 66-2-267-6299
	Dainichi Color Vietnam Co., Ltd.	Manufacture and sale of color masterbatch blend for plastic	US\$8,700	2005	40.0	TSS, Tien Son Industrial Zone, Tien Du Dist, Bac Ninh Province, Vietnam	Tel: 84-241-3714-800 Fax: 84-241-3714-803
	Pac Tech Asia Sdn. Bhd.	Manufacture and sales of semiconductor manufacturing equipment, contract processing for wafer bumping	RM10,000	2006	100.0 (100.0)	Plot 14, Medan Bayan Lepas, Technoplex Phase 4, 11900 Bayan Lepas Penang Malaysia	Tel: 60-4-6430-628 Fax: 60-4-6432-490
	P.T. Toyo Quality One Indonesia	Manufacture of flame lamination products	US\$1,500	2008	25.0	JL. Raya Cimerame No. 275 Padalarang-Bandung 40553, INDONESIA	Tel: 62-22-686-0620 Fax: 62-22-686-0621
	ZCL Chemicals Ltd.	Contract synthesis and process development	INR100,000	1991	25.0	A 806/807, 215 Atrium, Chakala, Andheri Kurla Road, Andheri (E), Mumbai-400 059, Maharashtra, India	Tel: 91-22-6153-9999 Fax: 91-22-6153-9997

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
Sales							
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	BAHT87,000	1989	100.0	14th Floor, Ramaland Building, 952 Rama IV Road, Khwaeng Suriyawongse, Khet Bangrak Bangkok 10500 Thailand	Tel: 66-2-632-7253 Fax: 66-2-632-7254
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	S\$2,700	1975	100.0	600 North Bridge Road #11-01 Parkview Square Singapore 188778	Tel: 65-6398-0088 Fax: 65-6398-0227
		Vietnam Representative Office				Unit 14-06, VINCOM Center, 70-72 Le Thanh Ton street, Ben Nghe ward, District 1, Ho Chi Minh city, Vietnam	Tel: 84-8-38219166 Fax: 84-8-38219139
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	RM1,500	1981	100.0	Suite 16.01, Level 16, Menara Igb, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia	Tel: 60-3-2283-2366 Fax: 60-3-2282-2933
		Johor Bahr Office				Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi, Jalan Kuning, 80400, Johor Bahr, Malaysia	Tel: 60-7-3336088 Fax: 60-7-3339088
		Penang Office				1-5-14&15, 5F, Krystal Point Corporate Park, Jalan Tun, Dr. Awang, 11900 Sungai Nibong, Penang, Malaysia	Tel: 60-4-6430628 Fax: 60-4-6432490
●	P.T. Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	US\$500	1998	100.0 (10.0)	Wisma Kyoel Prince, 21st floor Jl. Jend. Sudirman kav.3 Jakarta 10220, Indonesia	Tel: 62-21-579-00391 Fax: 62-21-579-00392
●	Nagase Philippines Corp.	Import/export, domestic sales, marketing	PHP45,893	1997	100.0	18-B Trafalgar Plaza H.V. Dela Costa Street, Salcedo Village, 1227 Makaticity, Philippines	Tel: 63-2-7502935 Fax: 63-2-8118296
●	Nagase Philippines International Services Corp.	Domestic sales, import/export	PHP40,000	2005	100.0	Building 3, 123-125 Technology Avenue Phase 4, LTI Binan, Laguna, Philippines	Tel: 63-49-544-0678 Fax: 63-49-544-0679
	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	US\$3,000	2008	100.0	Unit 1201, Hanoi Tung Shing Square, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam	Tel: 84-4-3926-4126 Fax: 84-4-3926-4124
		Representative Office				Unit 1202, Hanoi Tung Shing Square, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam	Tel: 84-4-39350110 Fax: 84-4-39350108
	Nagase India Private Ltd.	Import/export, domestic sales, marketing	INR200,000	2006	100.0 (0.1)	404, Vaibhav Chambers, BKC, Bandra East, Mumbai-400 051, INDIA	Tel: 91-22-2659-1337 Fax: 91-22-2659-1408
		North India Branch				310, Time Tower, M-G Road, Gurgaon, Haryana 122 001, INDIA	Tel: 91-124-2574662 Fax: 91-124-2392467
		Branch				Building # 3W, Office No. 419 P.O. Box 293739 Dubai Airport Free Zone Authority Dubai, United Arab Emirates	Tel: 971-4-299-1218 Fax: 971-4-299-1352
NORTH AND CENTRAL AMERICA							
Manufacturing and Sales							
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	US\$3,773	2001	100.0 (100.0)	328 Martin Avenue Santa Clara, CA95050 U.S.A.	Tel: 1-408-588-1925 Fax: 1-408-588-1927
●	Sofix Corp.	Manufacture and sale of color formers	US\$20,000	1990	49.0	2800 Riverport Road Chattanooga, TN 37406-1721 U.S.A.	Tel: 1-423-624-3500 Fax: 1-423-624-3587
Sales							
●	Nagase America Corp.	Import/export, domestic sales, marketing	US\$3,500	1971	100.0	546 Fifth Avenue 16th Floor New York, NY 10036-5000 U.S.A.	Tel: 1-212-703-1340 Fax: 1-212-398-0687
		Michigan Branch				39555 Orchard Hills Place, Crystal Glen Office Center, Suite 356, Novi, MI 48375, U.S.A.	Tel: 1-248-3740490 Fax: 1-248-3740497
		California Branch				2880 Lakeside Drive, Suite 116 Santa Clara, CA 95054, U.S.A.	Tel: 1-408-5679728 Fax: 1-408-5679729
	Nagase Enterprise Mexico S.A. de C.V.	Import/export sales, intermediate trade, market development, information collection	Peso6,500	2010	100.0 (100.0)	Ejército Nacional # 418, Oficina 302, Col. Chapultepec Morales, C.P. 11570, México, D.F.	Tel: 52-55-5255-4992 Fax: 52-55-5255-4282
EUROPE							
Manufacturing and Processing							
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	EUR188	1995	59.9	Am Schlangenhorst 15-17, 14641, Nauen, Germany	Tel: 49-3321-4495100 Fax: 49-3321-4495110
Sales							
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	EUR1,200	1980	100.0	Immermann str. 65C 40210 Dusseldorf, Germany	Tel: 49-211-866200 Fax: 49-211-3237068
		Hungary Representative Office				MADACH TRADE CENTER BT, H-1075 Budapest, Madach I. ut 13-14, Hungary	Tel: 36-1-2681705 Fax: 36-1-2681706
		London Branch				Suite 1, 02, Winchester House 259-269 Old Marylebone Road, London, NW1 5RA, U.K.	Tel: 44-020-7170-4100 Fax: 44-020-7170-4380
		Poland Representative Office				Al. Jana Pawla II 15, 13th Floor 00-828 Warsaw, Poland	Tel: 48-22-697-7372 Fax: 48-22-697-7352

About Nagase & Co., Ltd.

Company Name	NAGASE & CO., LTD.
Founded	June 18, 1832
Established	December 9, 1917
Paid-in Capital	¥9,699 million
Number of Employees	994 (Consolidated: 4,469)
Main Business	Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods
Main Banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Corporate Bank, Ltd., The Sumitomo Trust & Banking Co., Ltd., The Norinchukin Bank
Main Offices	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

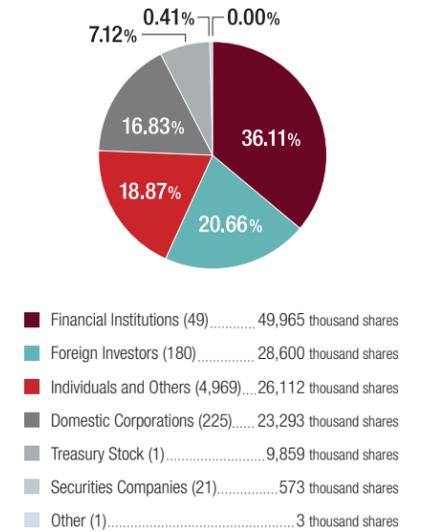
1832	<ul style="list-style-type: none"> Nagase founded in Kyoto as a dyestuffs trading concern Sales of dyestuffs, starches and funori seaweed 	1989	<ul style="list-style-type: none"> Established Nagase (Thailand) Co., Ltd. Established Nagase Science and Technology Foundation Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system
1893	<ul style="list-style-type: none"> Established Osaka branch office 	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)
1898	<ul style="list-style-type: none"> Head office moved to Osaka, branch office to Kyoto 	1997	<ul style="list-style-type: none"> Established Nagase Philippines Corp. Established Shanghai Nagase Trading Co., Ltd. Established Nagase Engineering Service Korea Co., Ltd.
1900	<ul style="list-style-type: none"> Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.) 	1998	<ul style="list-style-type: none"> Established P.T. Nagase Impor-Ekspor Indonesia Established Shanghai Hua Chang Trading Co., Ltd.
1911	<ul style="list-style-type: none"> Established Tokyo branch office 	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.
1917	<ul style="list-style-type: none"> Inaugurated as Nagase Shoten Company with capital of ¥3 million 	2002	<ul style="list-style-type: none"> Established Guangzhou Nagase Trading Ltd. Established a representative office in Hanoi, Vietnam Established Nagase ChemteX (Wuxi) Corp.
1923	<ul style="list-style-type: none"> Established business ties with Eastman Kodak Co. of the United States 	2004	<ul style="list-style-type: none"> Established Nagase International Electronics Ltd. Established NWP International Trading (Shenzhen) Co., Ltd.
1930	<ul style="list-style-type: none"> Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. 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.
1940	<ul style="list-style-type: none"> Established Nagoya branch office 	2006	<ul style="list-style-type: none"> Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH Established Nagase India Private Ltd.
1943	<ul style="list-style-type: none"> Company name changed to Nagase & Co., Ltd. 	2007	<ul style="list-style-type: none"> Established Nagase Application Workshop
1964	<ul style="list-style-type: none"> Listed Company shares on the Osaka Securities Exchange 	2008	<ul style="list-style-type: none"> Established Sakai Sales Office Established Nagase Vietnam Co., Ltd.
1968	<ul style="list-style-type: none"> Concluded an exclusive distributorship agreement with General Electric Co. of the United States 	2009	<ul style="list-style-type: none"> Opened a branch office in Dubai
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. 		

Stock Listings	First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Code	8012
Authorized Number of Shares	346,980,000
Issued Number of Shares	138,408,285
Number of Shareholders	5,446
Principal Shareholders	

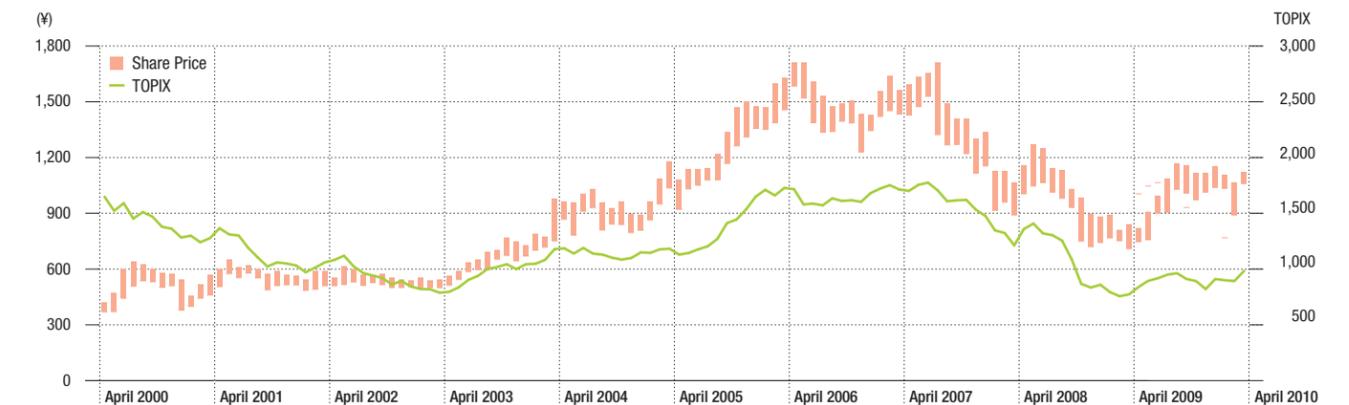
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS	7,046	5.09
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,870	4.96
The Sumitomo Trust & Banking Co., Ltd.	5,776	4.17
Japan Trustee Services Bank, Ltd. (Trust Account)	5,201	3.76
Nippon Life Insurance Company	4,984	3.60
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,211	3.04
Reiko Nagase	3,522	2.54
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.13
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,879	2.08

Note: In addition to the above, the Company holds 9,859 thousand shares of treasury stock without voting rights.

Composition of Shareholders



Monthly Share Price Range of Nagase



Monthly Trading Volume

