

**NAGASE**



**Briefing Session on  
Financial Results for  
the Fiscal Year Ended March 31, 2010**

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

**Nagase & Co., Ltd.**

**May 21, 2010**

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- \* **Forecast for the Fiscal Year Ending March 31, 2011 and  
Progress of Medium-Term Management Plan *“CHANGE” 11***
- \* **Nagase Application Workshop’s Initiatives**

**Financial Highlights of  
the Fiscal Year Ended March 31, 2010**

- Although net sales fell sharply due to a slow demand recovery and yen appreciation, we achieved higher operating income by reducing costs and other means.
- Growth in sales of Nagase ChemteX's high-value-added products resulted in a higher gross profit margin.

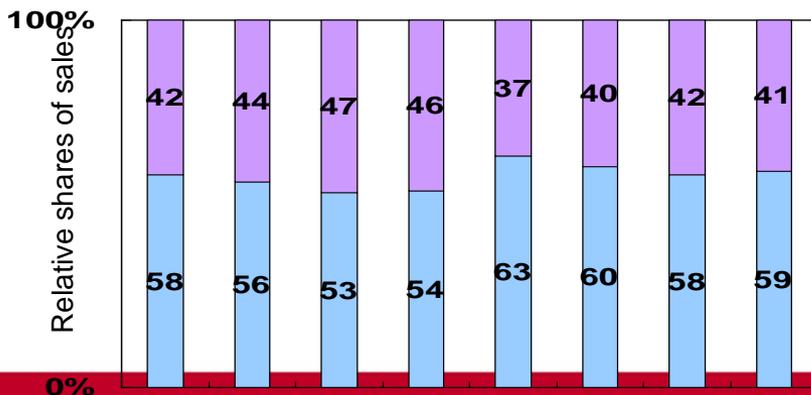
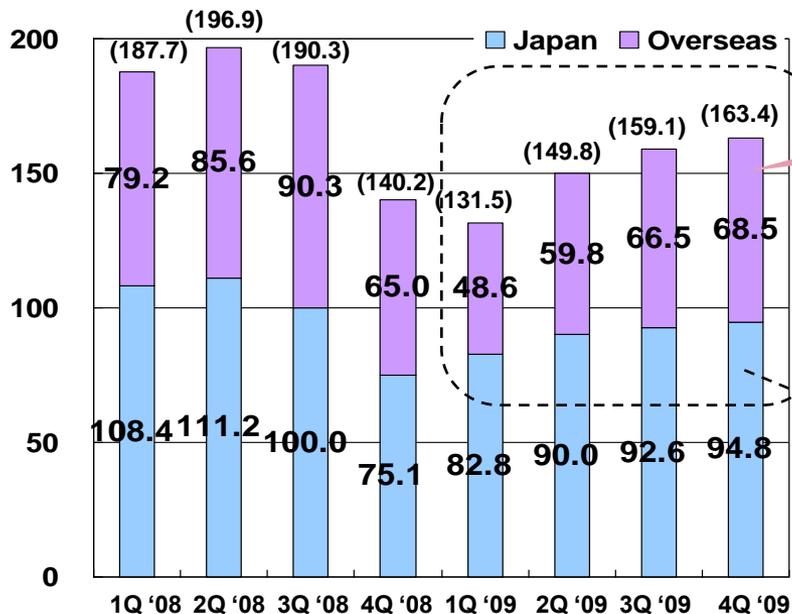
(¥ Billion)

	<b>FY ended March 31, 2010</b>	<b>FY ended March 31, 2009</b>	<b>Increase (Decrease)</b>	<b>YoY comparison</b>
<b>Net sales</b>	603.9	715.2	-111.2	84%
<b>Gross profit [Profit margin]</b>	65.4 [10.8%]	71.5 [10.0%]	-6.1	91%
<b>SG &amp; A expenses</b>	-52.2	-59.0	+6.7	89%
<b>Operating income</b>	13.1	12.5	+0.6	105%
<b>Ordinary income</b>	14.7	13.0	+1.6	113%
<b>Net income</b>	7.5	5.8	+1.7	130%
<b>Net income per share (¥)</b>	58.64	45.17	—	—

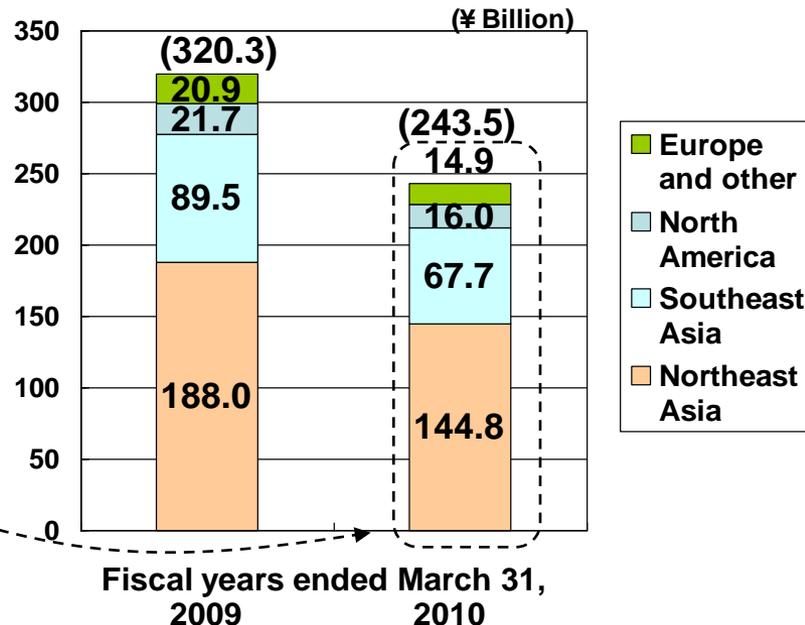
Down ¥111.2 billion vs. the previous year (1H: down ¥103.2 bn, 2H: down 8.0 bn)

Down ¥34.4 billion in Japan (1H: down ¥46.7 bn, 2H: up ¥12.3 bn)

Down ¥76.7 billion (1H: down ¥56.4 bn, 2H: down ¥20.3 bn)

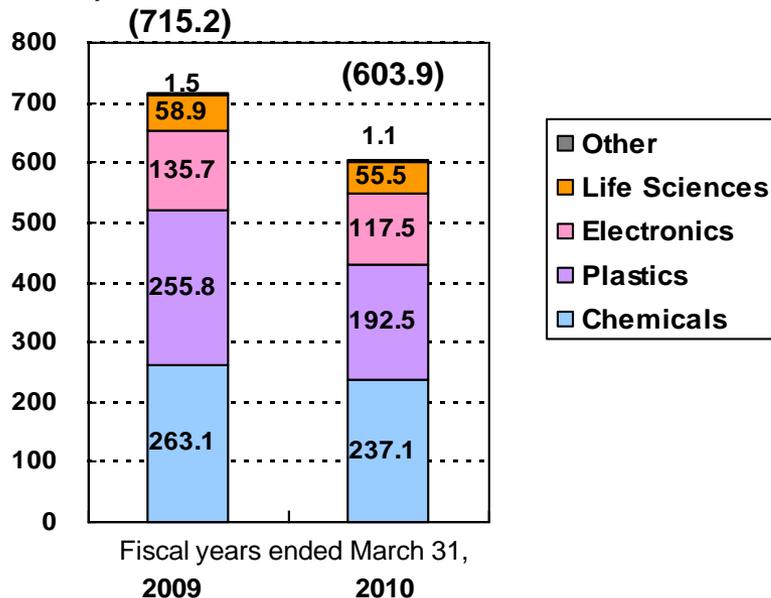


Breakdown of overseas sales by region (YoY change)

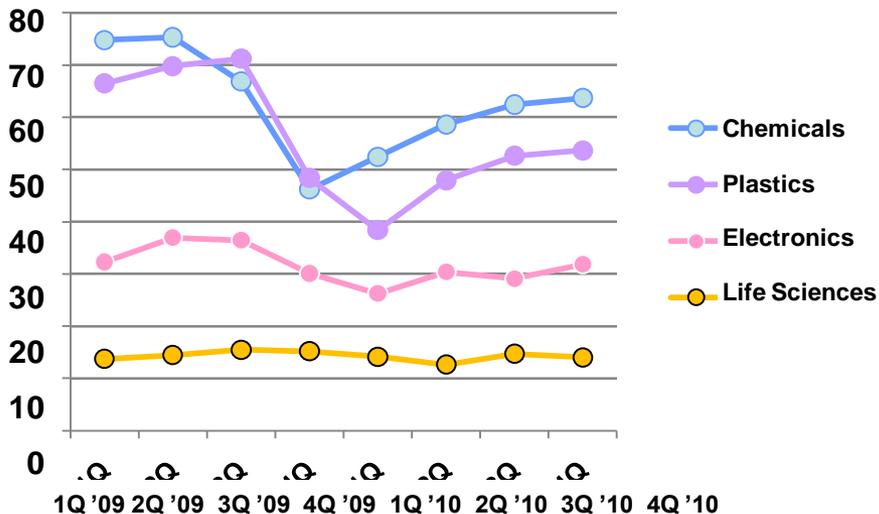


- Overseas sales ratio declined from 44.8% to 40.3% -
- Overseas consolidated subsidiaries' sales for Jan.-Mar. 2009, their low point, are recorded as Q1 of the fiscal year ended March 31, 2010 (because overseas companies close their accounts in December).
- In Greater China, sales of plastics excluded automobile-related (for office automation and electronics applications) declined significantly.  
Sales from the processing and assembly business in the Huanan region and in the Electronics segment also declined sharply.
- Sales in the ASEAN region languished under large declines in chemicals and plastics.

(¥Billion)



## Quarterly trend in net sales



## Sales by Business Segment

**Chemicals ¥237.1 billion, down ¥25.9 billion (90% vs. the previous year)**

(1H: down ¥39.0 billion, 2H: up ¥13.1 billion)

- Upswing in demand in the chemicals industry overall
- Increase in sales of Nagase ChemteX's products
- Decline in overall full-year sales to below previous year's level

**Plastics ¥192.5 billion, down ¥63.2 billion (75% vs. the previous year)**

(1H: down ¥49.9 billion, 2H: down ¥13.3 billion)

- Recovery in demand in 2H, principally from products for China
- Decline in overall sales to below the previous year's level

**Electronics ¥117.5 billion, down ¥18.1 billion (87% vs. the previous year)**

(1H: down ¥12.5 billion, 2H: down ¥5.6 billion)

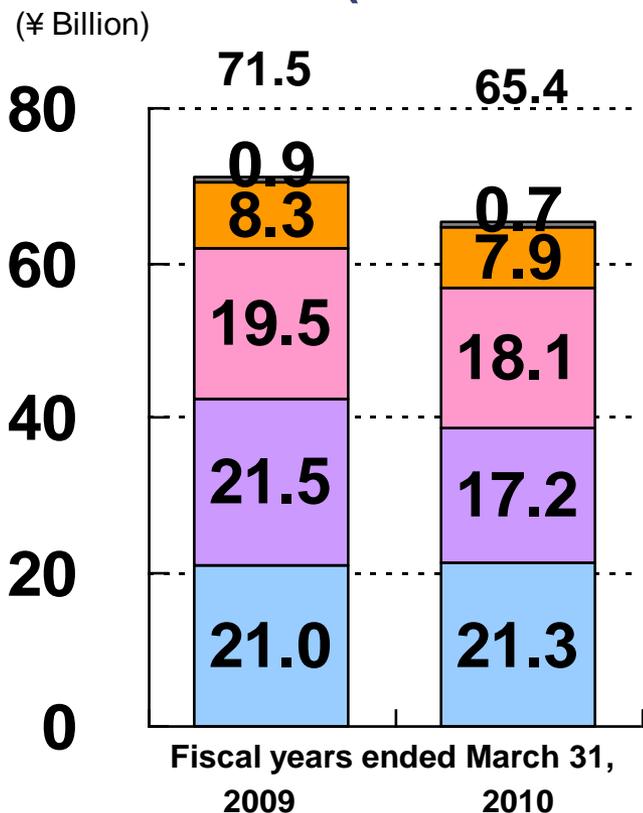
- Demand recovery in some industries, such as liquid crystals
- The recession has heavily impacted the segment since the second half of last fiscal year, especially overseas

**Life Sciences ¥55.5 billion, down ¥3.3 billion (94% vs. the previous year)**

(1H: down ¥1.4 billion, 2H: down ¥1.9 billion)

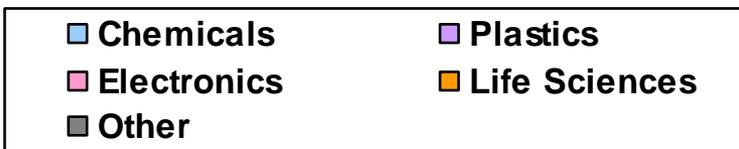
- Slight decline in sales in the Beauty Care business, which sells cosmetics and health foods
- Lower sales of pharmaceutical raw materials and intermediates
- Slight decline in sales of agrochemical ingredients and fermented products

**Gross Profit: ¥65.4 billion, down ¥6.1 billion  
(91% vs. the previous year)  
(1H: down ¥8.4 billion, 2H: up ¥2.3 billion)**



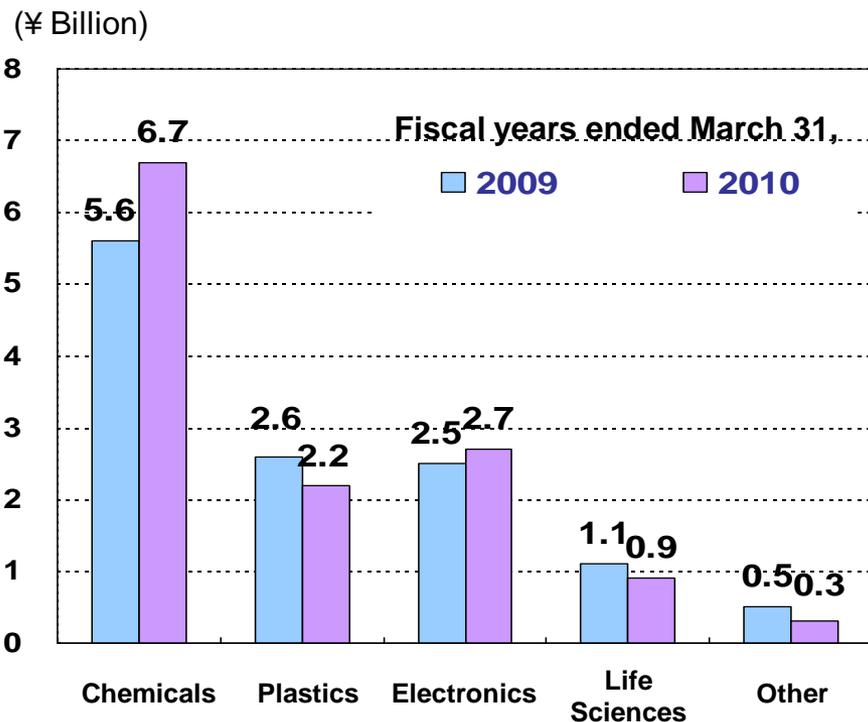
### Overview of Profit by Business Segment (Year-on-Year Comparison)

<b>Chemicals</b>	<b>+¥0.2 billion (101%)</b> (1H: -¥2.1 billion, 2H: +¥2.3 billion)
<b>Plastics</b>	<b>-¥4.3 billion (80%)</b> (1H: -¥3.7 billion, 2H: -¥0.6 billion)
<b>Electronics</b>	<b>-¥1.4 billion (93%)</b> (1H: -¥2.6 billion, 2H: +¥1.2 billion)
<b>Life Sciences</b>	<b>-¥0.3 billion (96%)</b> (1H: ¥0.0 billion, 2H: -¥0.3 billion)

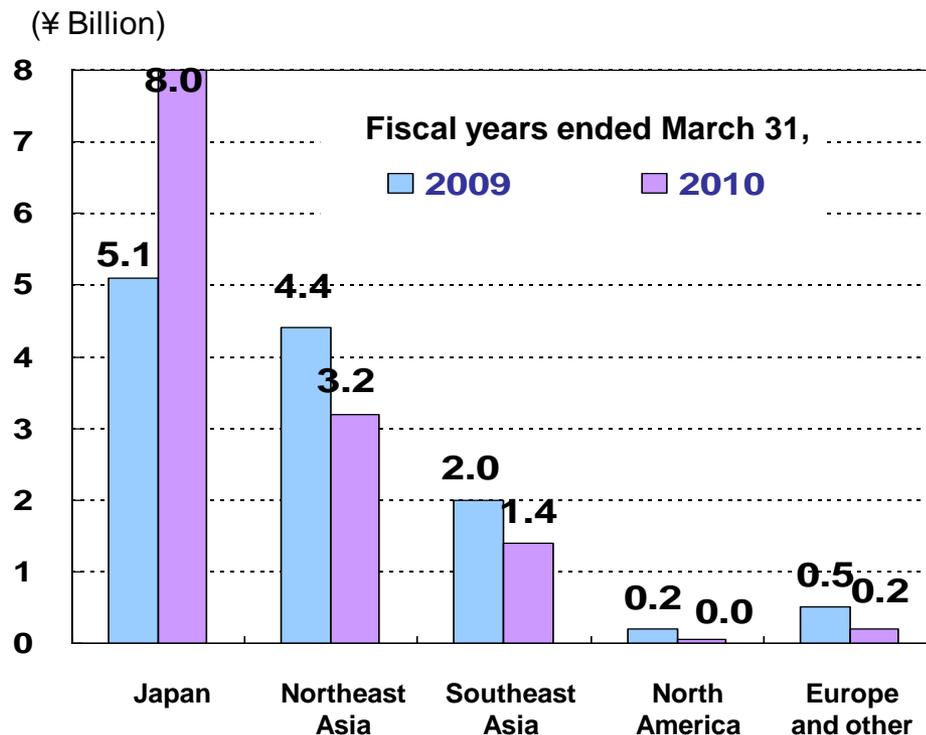


**Operating Income: ¥13.1 billion, up ¥0.6 billion**  
**(105% vs. the previous year)**  
**(1H: down ¥3.6 billion, 2H: up ¥4.2 billion)**

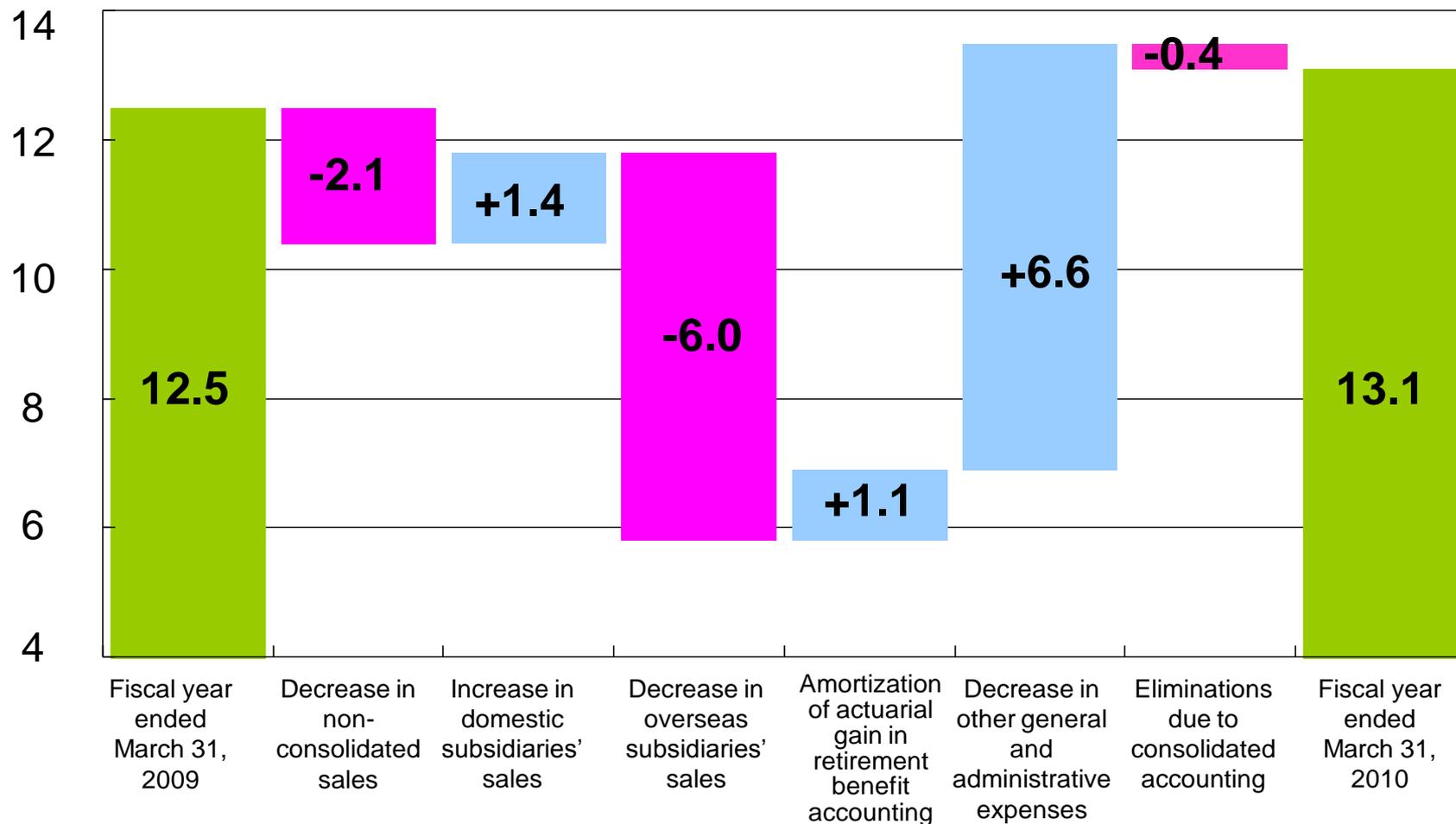
**Operating Income by Business Segment**



**Operating Income by Geographic Segment**

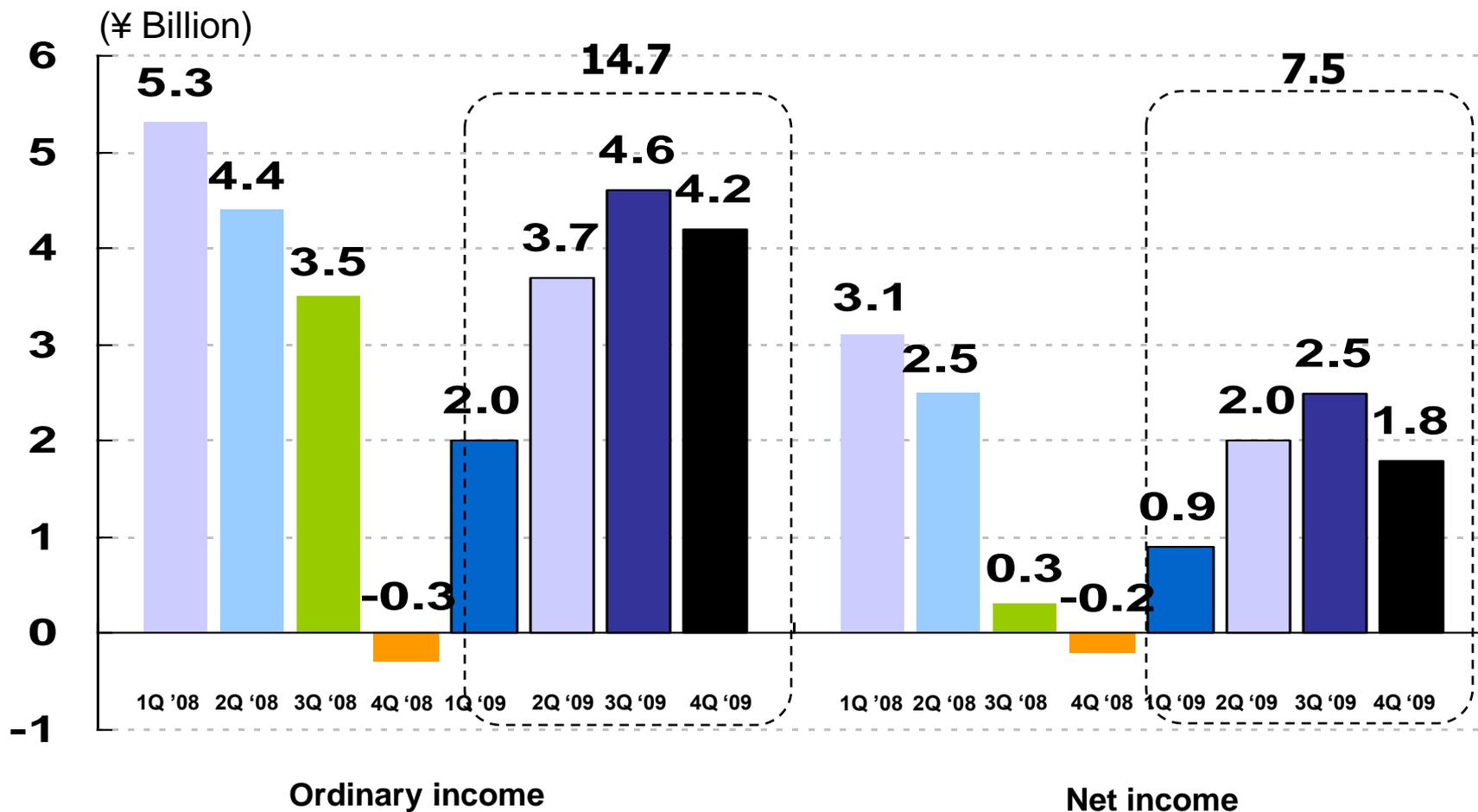


(¥ Billion)



## Quarterly Trends in Ordinary Income and Net Income

- ◆ Ordinary Income: ¥14.7 billion, up ¥1.6 billion year on year (113% vs. previous year)
- ◆ Net Income: ¥7.5 billion, up ¥1.7 billion year on year (130% vs. previous year)



- Decrease in working capital (overall decline due to marked increase in accounts payable and decrease in inventory, despite increase in accounts receivable)
- Increase in investment securities (increase in market values reflecting higher stock prices)
- Increase in property, plant and equipment

(¥ Billion)

Assets	Mar. 31, 2010	Mar. 31, 2009	Increase/Decrease	Liabilities and Net Assets	Mar. 31, 2010	Mar. 31, 2009	Increase/Decrease
Cash and time deposits	42.8	26.1	+16.6	Notes and accounts payable	108.6	90.0	+18.6
Notes and accounts receivable	186.9	166.3	+20.6	Short-term loans	10.4	19.8	-9.4
Investment securities (negotiable deposits)	—	10.0	-10.0	Other current liabilities	18.0	16.3	-1.6
Inventories	31.0	40.0	- 9.0	Long-term debt	11.1	11.0	+0.0
Other current assets	6.9	6.5	+0.3	Accrued retirement benefits for employees	6.8	6.8	- 0.0
Property, plant and equipment	40.3	39.2	+1.1	Other fixed liabilities	10.3	4.8	+5.4
Intangible fixed assets	2.5	2.7	-0.2	Shareholders' equity	185.5	182.6	+2.9
Investments in securities	53.6	43.5	+10.1	[Treasury stock included in above]	[- 5.4]	[- 5.3]	[- 0.0]
Other fixed assets	3.7	6.2	-2.4	Valuation, foreign currency and other adjustments	9.7	1.9	+7.7
				Stock acquisition rights	0.2	0.2	—
				Minority interests	7.1	7.0	+0.0
				[Net worth ratio]	[53.1%]	[54.1%]	[-1.0%]
<b>Total assets</b>	<b>368.0</b>	<b>340.9</b>	<b>+ 27.1</b>	<b>Total liabilities and net assets</b>	<b>368.0</b>	<b>340.9</b>	<b>+27.1</b>

- Net cash provided by operating activities was ¥27.8 billion, due to a decrease in income before income taxes and working capital.
- Investing activities used net cash of ¥9.4 billion, reflecting purchases of property and equipment, and investment securities.

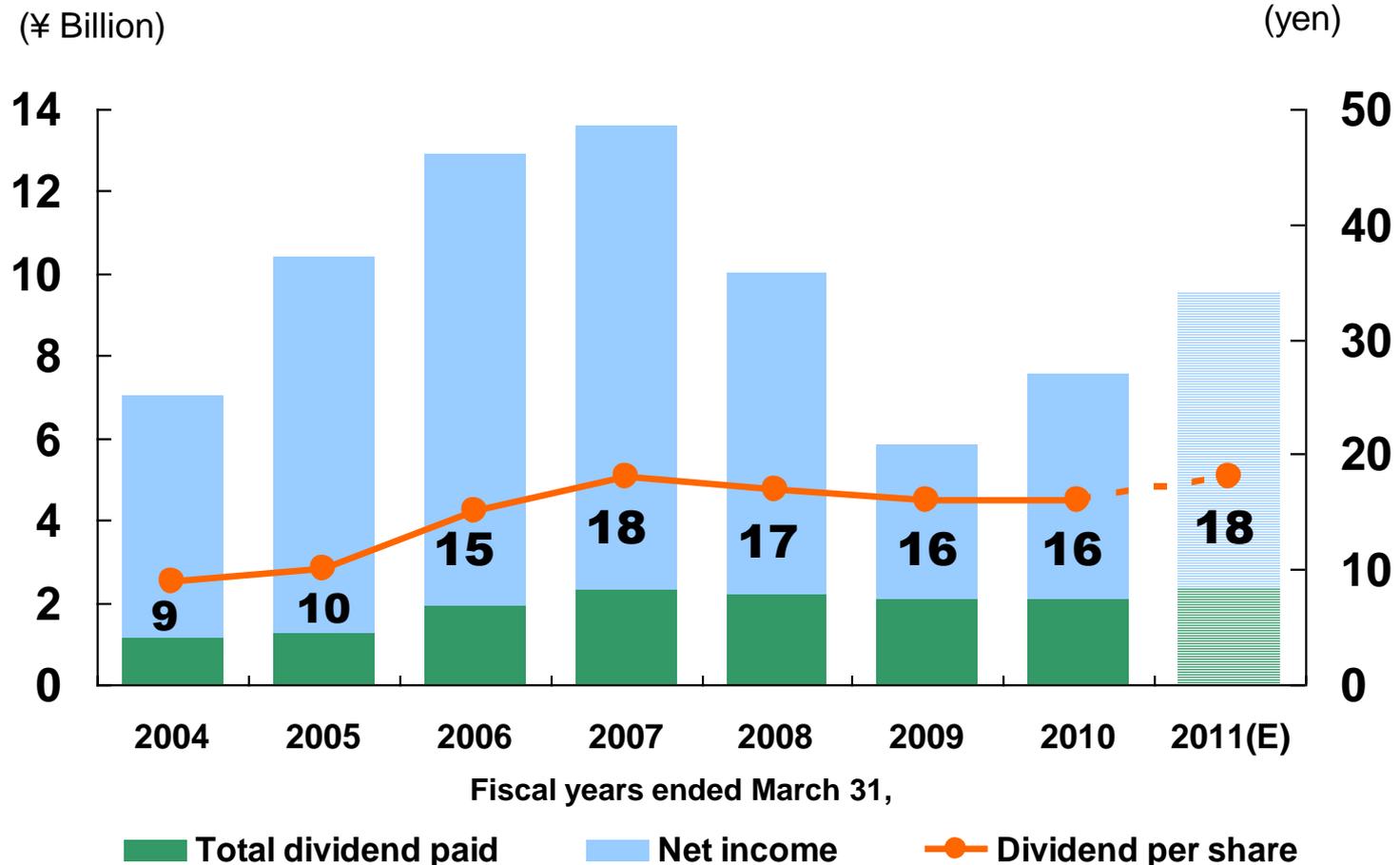
(¥ Billion)

	Fiscal year ended Mar. 31, 2010	Major components	Fiscal year ended Mar. 31, 2009
<b>Cash flows from operating activities</b>	<b>+27.8</b>	Income before income taxes	13.5
		Depreciation and amortization	5.9
		Working capital	7.7
		Taxes paid	-3.3
<b>Cash flows from investment activities</b>	<b>-9.4</b>	Purchases of property and equipment	-6.5
		Purchases of investment securities	-3.3
		Purchases of intangible fixed assets	-0.6
<b>Cash flows from financing activities</b>	<b>-11.7</b>	Short-term debt	-9.6
		Cash dividends paid	-1.9
<b>Increase in cash and cash equivalents</b>	<b>+6.6</b>		<b>+12.6</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>42.8</b>		<b>36.1</b>

(¥ Million)

	Company Name	Net Sales	YoY Comparison	Operating Income	YoY Comparison	Net Income	YoY Comparison
Parent Company	Nagase & Co., Ltd.	414,657	91%	2,913	113%	4,852	105%
Manufacturing	Nagase ChemteX Corp.	26,161	112%	3,225	344%	1,783	335%
	Totaku Industries, Inc.	7,162	97%	395	152%	279	440%
Sales	Nagase Plastics Co., Ltd.	15,453	106%	113	388%	52	372%
	Nagase Colors & Chemicals Co., Ltd.	12,959	95%	140	96%	83	92%
	Nagase Chemical Co., Ltd.	12,961	98%	188	112%	100	104%
Overseas	Nagase (Hong Kong) Ltd.	57,231	71%	1,215	79%	978	80%
	Nagase Singapore (Pte) Ltd.	22,724	70%	238	61%	277	72%
	Nagase (Thailand) Co., Ltd.	20,518	62%	650	61%	474	65%

Nagase's basic policy is to further enhance its corporate structure and earnings capabilities, while taking into consideration medium- to long-term capital requirements, to continue generating steady dividends.



Note: Dividends for the years ended March 2004 and March 2007 included commemorative dividends of ¥1.0 and ¥2.00 per share, respectively.

**Performance Forecast for the  
Fiscal Year Ending March 31, 2011**

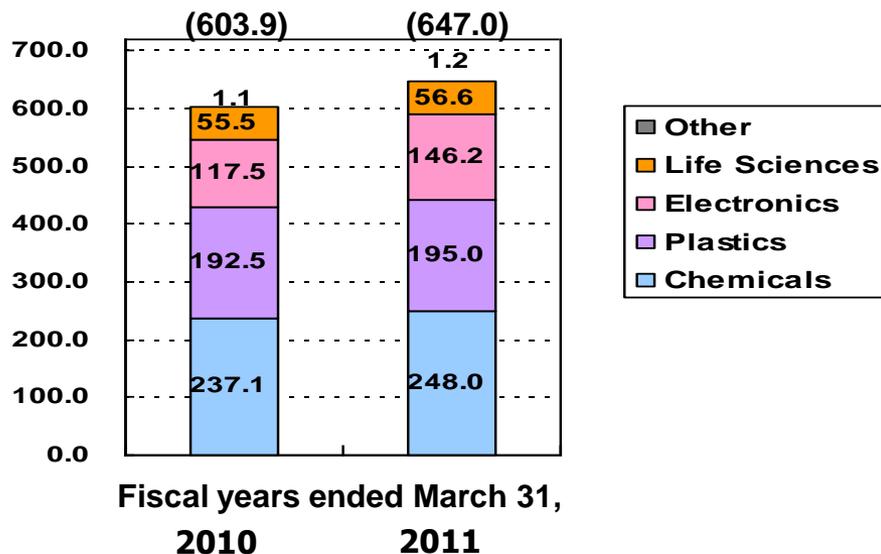
(¥ Billion)

	Fiscal year ending March 31, 2011 (forecast)	Fiscal year ended March 31, 2010 (actual)	Increase (Decrease)	YoY Comparison
<b>Net sales</b>	647.0	603.9	+43.0	107%
<b>Gross profit</b>	69.8	65.4	+4.3	107%
<b>Operating income</b>	15.0	13.1	+1.8	114%
<b>Ordinary income</b>	16.2	14.7	+1.4	110%
<b>Net income</b>	9.5	7.5	+1.9	126%
<b>Net income per share</b>	¥73.90	¥58.64	—	—

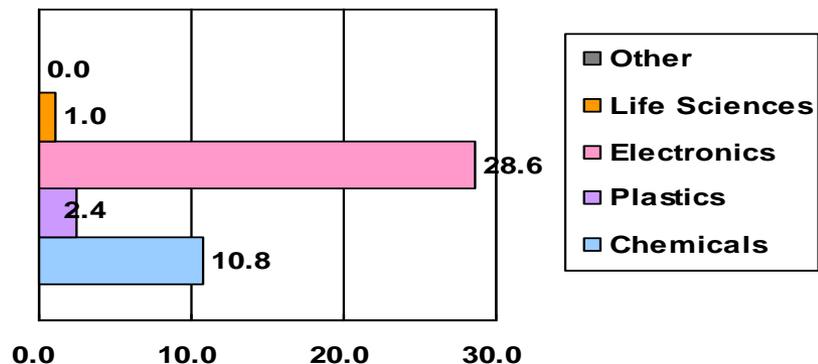
\*Assumed naphtha price: ¥45,000

\*Assumed exchange rate: US\$1 = JPY90

(¥ Billion)



Increase/Decrease in Sales by Segment



**Net sales: ¥647.0 billion, up ¥43.0 billion (107% vs. the previous year)**

**Chemicals ¥248.0 billion, up ¥10.8 billion (105% vs. the previous year)**

■ Although sales from printing-related businesses in China's Huanan region will decline, we forecast net sales of ¥248.0 billion (105% vs. previous year) due to demand recovery, mainly in China, and gradual economic recovery in Japan.

**Plastics ¥195.0 billion, up ¥2.4 billion (101% vs. the previous year)**

■ Despite a decrease in sales in Japan, we forecast net sales of ¥195.0 billion (101% vs. previous year) due to recovery in demand for automobiles and other products in Northeast Asia and elsewhere.

**Electronics ¥146.0 billion, up ¥28.6 billion (124% vs. the previous year)**

■ We forecast net sales of ¥146.0 billion (124% vs. previous year) due to expansion and upgrading of manufacturing functions and sites in Japan and overseas in response to higher demand in the liquid crystal industry.

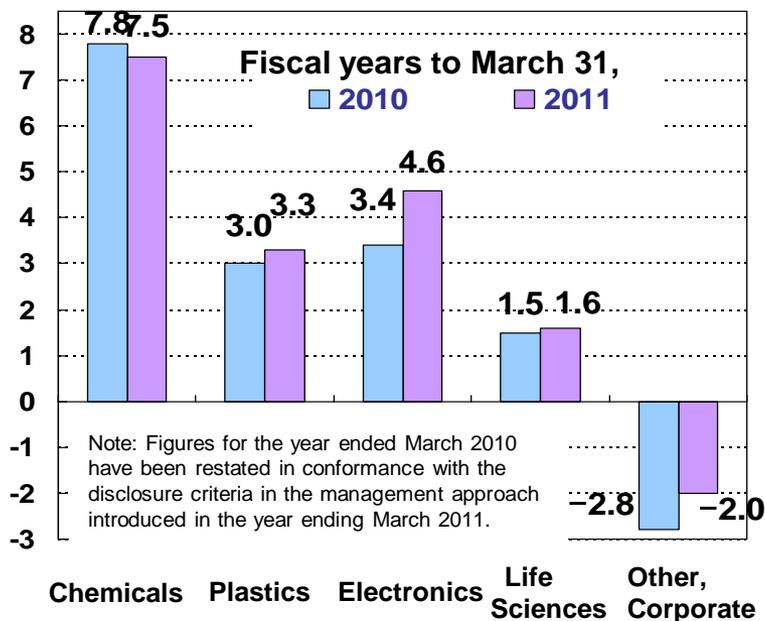
**Life Sciences ¥56.6 billion, up ¥1.0 billion (102% vs. the previous year)**

■ We forecast net sales of ¥56.6 billion (102% vs. previous year) due to a continued focus on developing and expanding sales of Group products.

## Operating income: ¥15.0 billion, up ¥1.8 billion (114% vs. the previous year)

### Operating Income by Business Segment

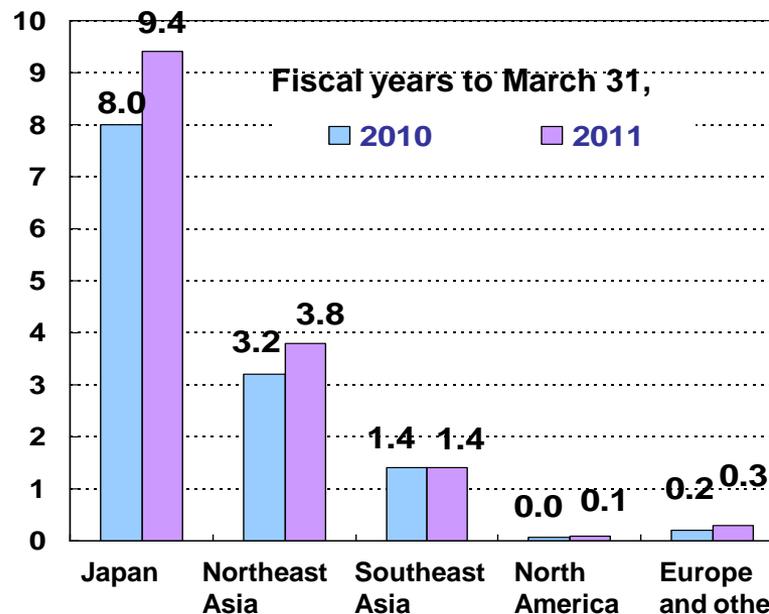
(¥ Billion)



- **Chemicals:** Decline of ¥0.3 billion (to 96% of previous year's level) in operating income due to lower income from printing-related businesses in China and slow recovery in North America
- **Plastics:** Increase of ¥0.2 billion (to 108% of previous year's level) to result from forecasted sales recovery for automotive and office equipment-related products due to demand recovery in China and North America
- **Electronics:** Increase of ¥1.1 billion (to 132% of previous year's level) due to anticipated increases at Nagase (non-consolidated) and China
- **Life Sciences:** Increase of ¥0.1 billion (to 101% of previous year's level) due to anticipated lower losses in North America

### Operating Income by Geographic Segment

(¥ Billion)



- **Japan:** Upward trend in all business segments at Nagase (non-consolidated)
- **Northeast Asia:** Increase due to recovery for automotive and office equipment-related products (Plastics)
- **Southeast Asia:** Operating income flat year over year
- **North America:** Increase due to a return to profitability / lower losses for Electronics and Life Sciences
- **Europe:** Increase due to an overall recovery trend

**Progress of Medium-Term Management Plan**  
***“CHANGE” 11***

### Management philosophy

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.

## Our vision for the future

### Customers

Anticipate changes in market structure and the environment, and make progress with customers by proposing original solutions

### Employees

Allow employees to realize their dreams and ideals through our businesses

### Shareholders and investors

Continue to grow and raise value with technology as the foundation in businesses in which we are strong

### Society at large

Contribute to society and the global environment



**Basic Principle:**  
**Maintain Good and Fair Business Practices**

**1** Select and concentrate on key 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

## 1 Select and concentrate on key businesses

- Advanced a group-wide battery-related project.
- Withdrew from wood-plastic composite material, automotive mold, and connector molding businesses.
- Invested in a color-former manufacturing company (to strengthen competitiveness of the color-former business).

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

- Acquired a lithium battery module developer.
- Obtained approval (under the revised Act on Special Measures on Industrial Revitalization) for recycling business at Sharp Corporation’s Sakai Plant.

## 3 Strengthen R&D and manufacturing functions

- Made **Kawaihiryō Co., Ltd., a manufacturer and marketer of organic fertilizer, a wholly owned subsidiary.**
- Invested in a manufacturer of pharmaceutical intermediates in India.
- Developed environmentally friendly epoxy resins.

## 4 Promote globalization

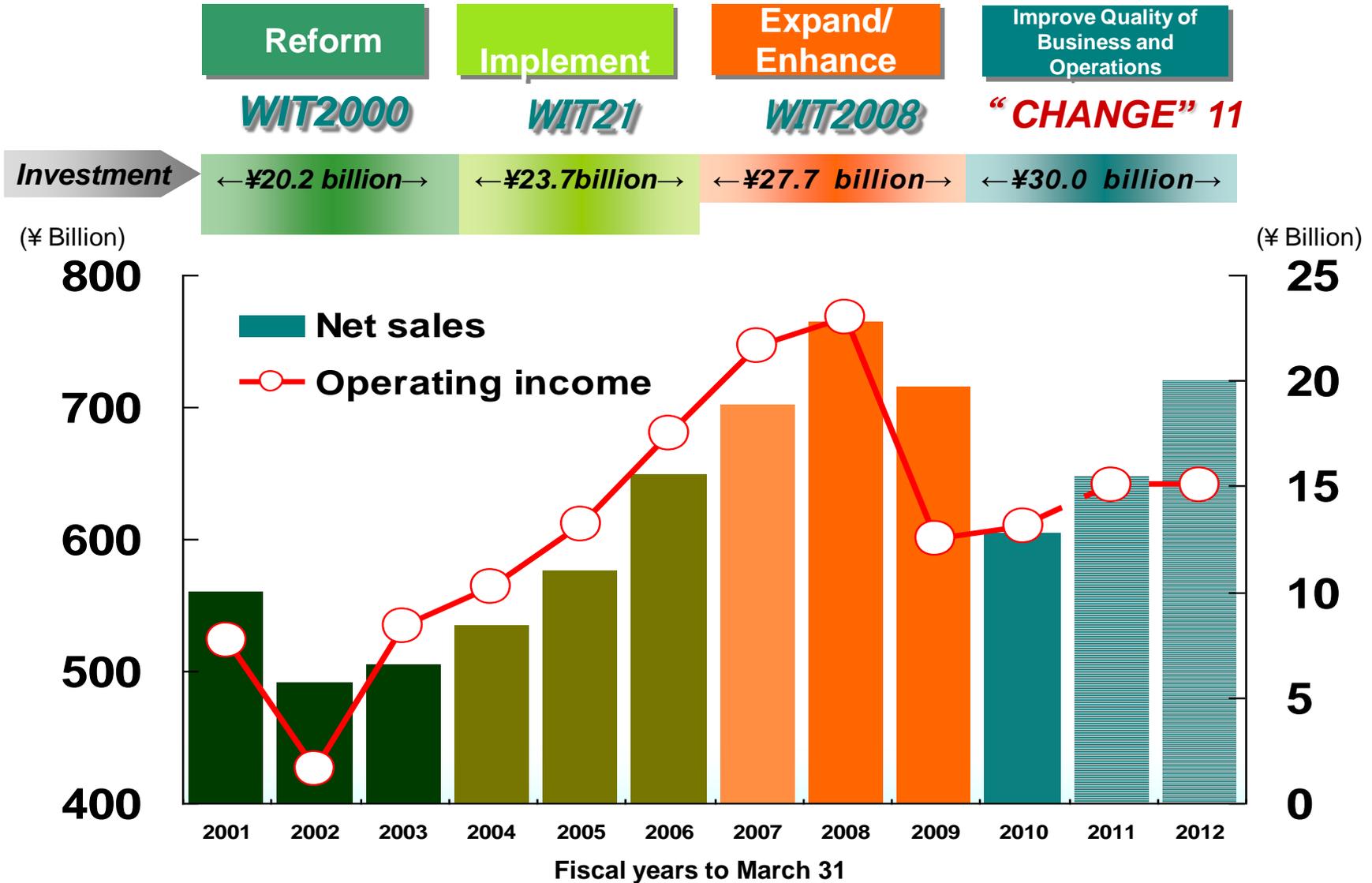
- **Finalized decision to establish a subsidiary in Mexico.**
- **Launched new automotive-related business in India.**
- Started supplying resin additives to Petro Rabigh.
- Expanded the business licenses of a Vietnam subsidiary.

## 5 Strengthen risk management

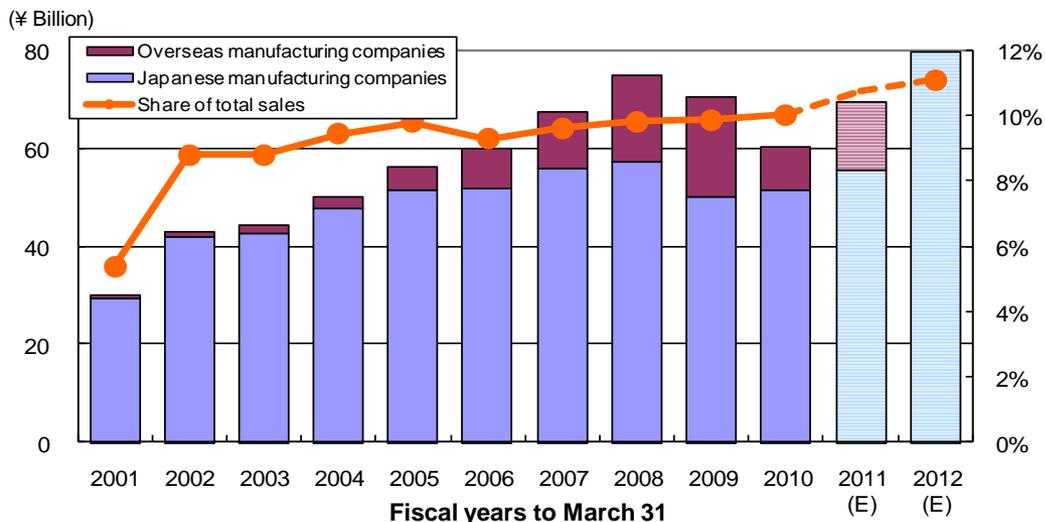
- Began transfer of internal servers to an external data center as part of an IT business continuity plan.
- Established internal rules in anticipation of the revision (strengthening) of the Foreign Exchange and Foreign Trade Act.

## 6 Promote employee diversity and work-life balance

- **Introduced twice-monthly no-overtime days.**
- Childcare leave made available to male employees also.



## Manufacturing sales to total sales



## Capital investment projection (3 years)

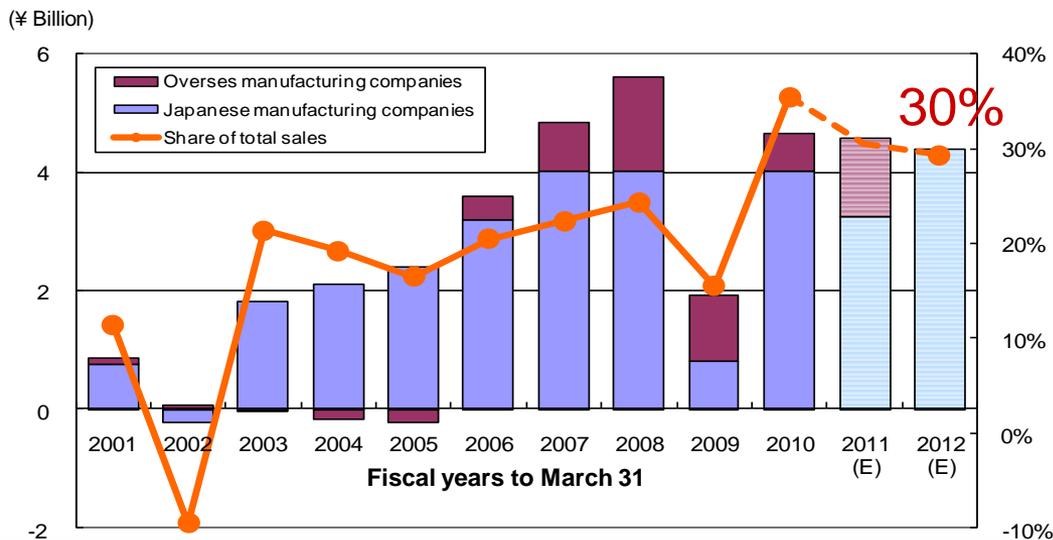
¥30.0 billion

New investment primarily in environment and energy  
**¥20.0 billion**

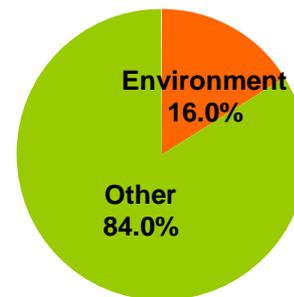
Renewal of existing equipment  
**¥10.0 billion**

Fiscal year ended March 31, 2010 (Actual)  
**¥10.7 billion**

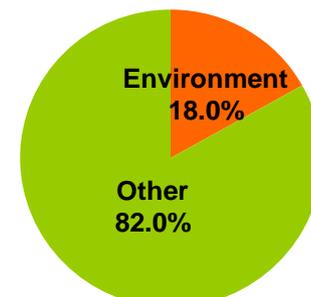
## Manufacturing operating income to total operating income



## Environment/energy-related sales to total sales



FY ended March 31, 2010



FY ending March 31, 2012 (E)

# **Nagase Application Workshop's Initiatives**

**Masaya Kimura**

**Head of Nagase Application Workshop**



Building facade



Showrooms and meeting space



The evaluation lab



The plastics lab

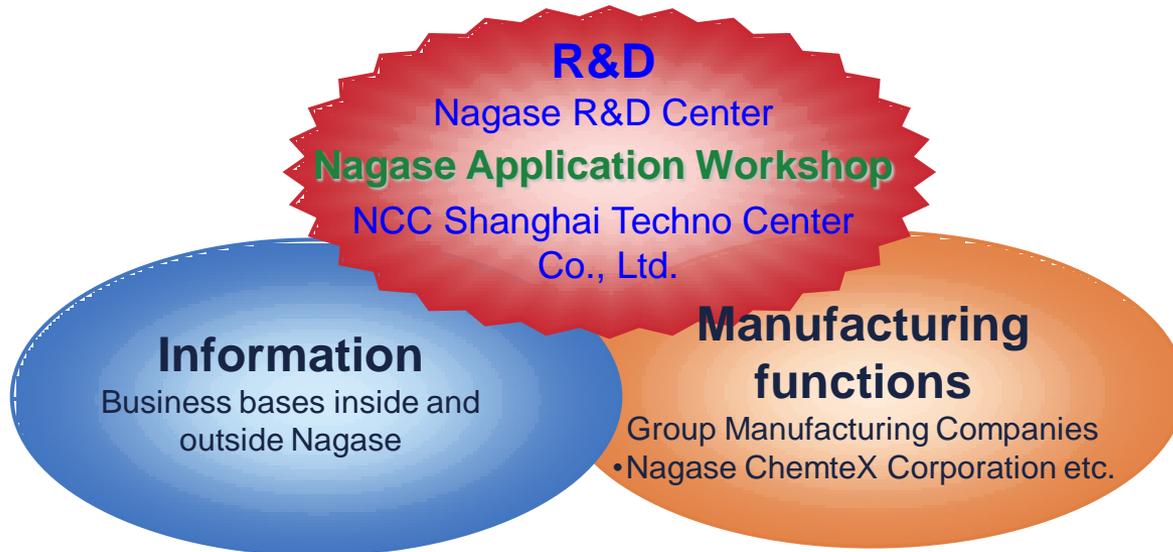


The coating and printing lab



The dyeing lab

- Group Cooperative Framework: Display the three-in-one strength of information, R&D and manufacturing functions



- Nagase R&D Center

Opened in April 1990  
Research staff: approx. 50

Responsible for Life Sciences research and for the development of core technologies for the Group's future businesses

- Nagase Application Workshop

Established in July 2007 Employees: 15

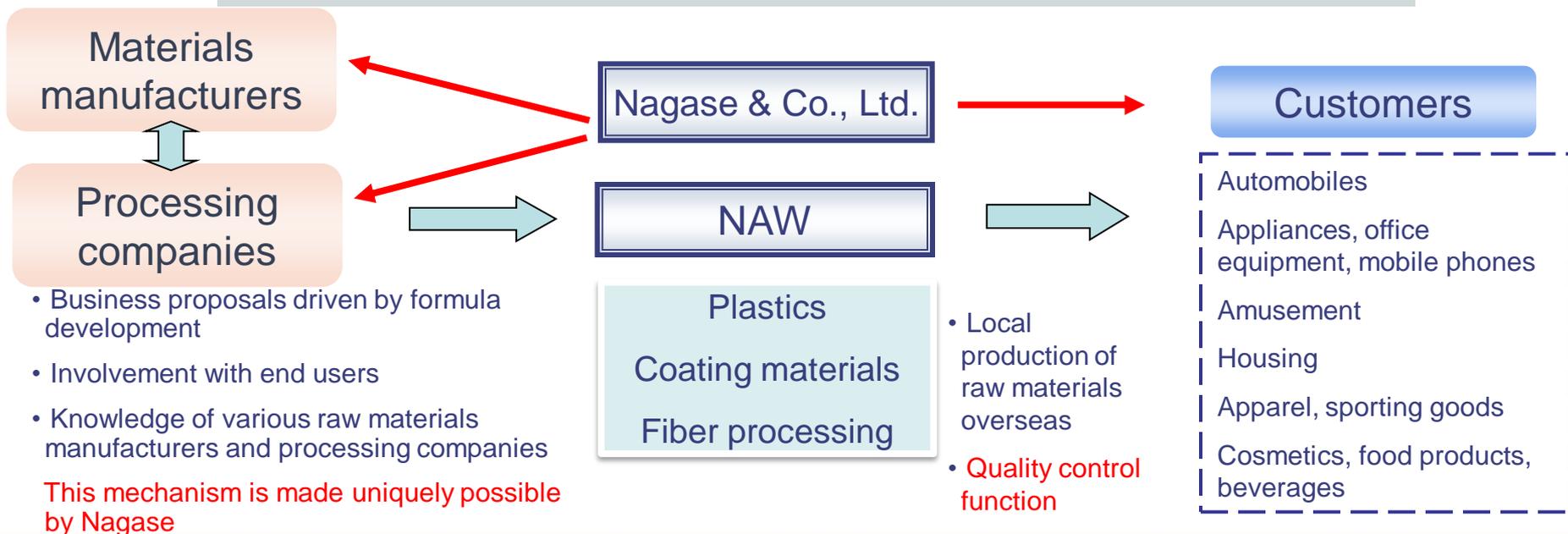
Provides individual technology solutions for businesses with customers planned by the sales divisions

## Overview

- Develop new applications by working with partnering companies in researching and evaluating the functionality and effectiveness of materials and additives used in plastics, coating materials, and fiber processing
- Engage in proposals, evaluation, and research concerning color.
- NAW is a key organization responsible for strategies for achieving high levels of value-added. NAW is unique among chemicals trading companies.

## Purpose

- Spearhead a shift from conventional sales driven by materials exploration to sales driven by proposed applications and joint development.
- Encourage business development across divisional boundaries by sharing customers.





## Plastics

- Formula Design
- Test Production of Compounds
- Properties Assessment

### 【Equipment】

- Twin Screw Extruder
- **Heating Roll**
- Injection Molding Machine
- Henschel Mixer



## Coating materials

- Coating and Ink Composition Design
- Test Production of Coatings and Inks
- Properties Assessment

### 【Equipment】

- 2 Painting Booth
- Disperser
- UV Curing System



## Fiber processing

- Dye Composition Design Suited to Various Fiber Materials
- Dyeing Testing
- Properties Assessment

### 【Equipment】

- Minicolor Dyeing Machine
- **Shaking-type Dyeing Machine**
- Printing Screens

### 【Common equipment】

- Light resistance tester
- Mechanical properties tester
- Thermal properties tester
- Electrical properties tester
- Other **analysis systems**

### 【Personnel】

To each laboratory, assign several staff members with development technology experience at manufacturers

■ Number of Activities Since July 2007

	2007	2008	2009
No. of customer visits	86	138	159
Plastics	30	51	39
Coating materials	13	12	17
Fiber processing	15	22	24

■ Main Customers with Whom Nagase Has Engaged in Joint Development or Provided Technical Support, and Main Development Themes

Automakers and Tier One suppliers	Plastics development, import of specialty coatings
Manufacturers of appliances, office equipment, printers, and game consoles	Color design development, plastics development
Major overseas chemicals manufacturers	Sale of imported raw materials

### Plastics

- Development of electrically conductive plastics, primarily CNTs
- Development of PC plastic formulas for LED lighting
- Development of automotive PP materials etc.

### Coating materials

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

### Fiber processing

- Technology development for the digital printing sector
- Development of own products for new synthetic fibers
- Development of automotive interior dyes

### Medium-Term Sales Target

¥1.4 billion

¥1.0 billion

¥1.0 billion

## Priority Areas

Development of eco-friendly materials (plastics sector)

Development of eco-friendly materials (coatings sector)

Development of a next-generation dyeing system

Development of high-performance plastics in niche sectors

Color design marketing

## Project Theme Examples

Recycling, biomaterials

Reduced use of oil

Digital printing

High thermal conductivity, heat release, electrical conductivity

New decoration technologies

A technology and intelligence oriented company  
that turns wisdom into business

**Nagase & Co., Ltd.**

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

**This presentation contains projections based on assumptions, forecasts, and plans for the future as of May 21, 2010. Actual results may differ from projections due to risks and uncertainties associated with the global economy, competition, and exchange rate fluctuations and other risks and uncertainties.**