Consolidated Financial Statements for the Fiscal Year Ended March 31, 2010

April 28, 2010

These financial statements have been prepared for reference only in accordance with accounting principles and practices generally accepted in Japan.

Nagase & Co., Ltd. Stock exchange listing: Tokyo, Osaka (First Sections)
Code number: 8012 (http://www.nagase.co.jp)
Representative: Hiroshi Nagase, Representative Director and President
Contact: Masanori Furukawa, Manager, Corporate Accounting Division
Annual General Meeting of Stockholders (scheduled): June 25, 2010
Start of distribution of dividends (scheduled): June 28, 2010
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): June 28, 2010

(Note: Amounts have been rounded down to the nearest million yen.)

1. Consolidated Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Consolidated Operating Results (Percentages represent changes compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2010	603,949	(15.6)	13,128	4.8	14,712	12.7	7,537	29.8
Fiscal 2009	715,238	(6.5)	12,522	(45.7)	13,052	(47.4)	5,808	(42.0)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Fiscal 2010	58.64	—	4.0	4.1	2.2
Fiscal 2009	45.17	45.17	3.0	3.4	1.8

(Reference) Equity in earnings of affiliates: FY2010: ¥291 million (Fiscal 2009: ¥(520) million)

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2010	368,088	202,753	53.1	1,519.61
March 31, 2009	340,968	191,931	54.1	1,435.88

(Reference) Equity capital: March 31, 2010: ¥195,344 (March 31, 2009: ¥184,599 million)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2010	27,875	(9,438)	(11,753)	42,807
Fiscal 2009	36,161	(11,062)	(5,549)	36,137

2. Dividends

	Dividends per share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
(Record date)	1Q	Interim	3Q	Fiscal Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2009	—	8.00	—	8.00	16.00	2,057	35.4	1.1
Fiscal 2010	—	7.00	—	9.00	16.00	2,057	27.3	1.1
Fiscal 2011 (est.)	—	9.00	—	9.00	18.00		24.4	

3. Projected Consolidated Results for the fiscal year ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentages represent changes compared with the corresponding periods of the previous fiscal year as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	323,000	14.8	7,500	42.5	8,000	38.0	4,600	48.6	35.78
Fiscal 2010 (Full fiscal year)	647,000	7.1	15,000	14.3	16,200	10.1	9,500	26.0	73.90

4. Other

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidated): None
New: — (Company name:) Excluded: — (Company name:)

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of consolidated financial statements
(Recorded under "Changes in important items considered fundamental to the preparation of consolidated financial statements.")
i. Changes in accordance with revisions to accounting and other standards: Yes
ii. Changes in items other than (i) above: Yes

(3) Number of shares issued and outstanding (common stock)
i. Number of shares issued and outstanding as of the fiscal year-end (including treasury stock)
March 31, 2010: 138,408,285 shares
March 31, 2009: 138,408,285 shares
ii. Number of treasury stock as of the fiscal year-end
March 31, 2010: 9,859,357 shares
March 31, 2009: 9,846,589 shares

(Reference) Summary of non-consolidated results

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2010 (April 1, 2009 to March 31, 2010)

(1) Net Sales and Income (Percentages represent changes compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2010	414,657	(9.4)	2,913	13.2	7,203	(6.6)	4,852	5.0
Fiscal 2009	457,632	(12.4)	2,573	(64.7)	7,711	(37.3)	4,621	69.4

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Fiscal 2010	37.74	—
Fiscal 2009	35.93	35.93

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2010	276,971	138,999	50.1	1,079.46
March 31, 2009	239,088	129,228	54.0	1,003.09

(Reference) Equity capital: March 31, 2010: ¥138,763 million (March 31, 2009: ¥128,992 million)

2. Projected Non-Consolidated Results for the Fiscal Year Ending March 31, 2011 (April 1, 2010 to March 31, 2011)

(Percentages represent changes compared with the corresponding periods of the previous fiscal year as applicable)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	222,000	11.7	2,400	70.4	5,400	24.2	3,800	26.6	29.56
Fiscal 2011 (Full fiscal year)	445,000	7.3	4,800	64.8	9,000	24.9	5,900	21.6	45.90

Notes: Cautionary Remark Regarding Forward-Looking Statements
Statements made in this document with respect to projected results and other statements that are not of historical fact are forward-looking statements based on the assumptions, projections and plans of the Company as of the date of this report. Readers are advised that actual results may differ materially from projections due to risks and uncertainties arising from a variety of factors including shifts in global economic and competitive conditions, foreign currency exchange rates and interest rates. Please refer to 1. Business Performance on pages 3 to 8 of this document for additional information on projected results.

1. Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 31, 2010)

a. General Summary of Results

During the period under review, the Japanese economy recovered gradually due to such factors as progress made in inventory adjustments, the launch of a series of economic countermeasures, improved export conditions, amid a recovery in overseas demand, as well as a rise in production. In addition, despite the emergence of the global economy from the worst part of this recession with signs of a recovery taking place in Asia, beginning with China, overall economic conditions remain severe.

Against this backdrop, total net sales contracted 15.6 percent compared with the previous fiscal year to ¥603.94 billion, as domestic sales decreased 8.7 percent to ¥360.38 billion and overseas sales declined 24.0 percent to ¥243.56 billion.

On the earnings front, gross profit fell 8.5 percent year on year to ¥65.41 billion due to a drop in net sales. Owing to the effects of reductions in selling, general and administrative expenses, however, operating income increased 4.8 percent to ¥13.12 billion, and ordinary income rose 12.7 percent to ¥14.71 billion. Due to a year-on-year decline in extraordinary loss on valuation of investment securities, net income for the fiscal year under review jumped 29.8 percent to ¥7.53 billion.

b. Segment Summary

[Chemicals] Sales: ¥237.12 billion, a 9.9 percent decrease year on year

Overall sales in the Chemicals segment declined year on year. Despite a recovery trend in demand in the chemical industry overall and an increase in the sales of Nagase ChemteX Corp. products, sales for the full fiscal year did not return to the level set during the previous fiscal year.

- In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, despite a drop in sales of dyestuffs for the fiber-processing industry, sales of ink materials for printers, functional color pigments for plasma displays and conductive polymers rose. As a result, overall sales of the colors and imaging business increased compared with the previous fiscal year.
- In the performance chemicals business, which handles a wide array of products—from general-purpose petrochemical products derived from naphtha to high-value-added products—overall sales have begun to recover. However, sales to the coating material/ink, urethane foam, plastic and other industries all fell. Consequently, overall sales in the performance chemicals business declined.
- In the specialty chemicals business, sales to the semiconductor industry of raw materials used in sealants and other products for use overseas increased. However, sales of intermediates and raw materials for the surfactant and organic synthesis industries fell, resulting in a decline in overall specialty chemicals business sales year on year. Against this backdrop, products for LCD and other related applications manufactured by Nagase ChemteX Corp. rose.

[Plastics] Sales: ¥192.56 billion, a 24.7 percent decrease year on year

Although there were signs of a recovery in demand during the second half of the fiscal year under review, particularly in China, sales in all regions did not reach the level of the previous fiscal year. Consequently, overall sales decreased substantially.

- Overall sales to office automation and consumer electronics businesses fell significantly during the second half of the fiscal year under review. This was attributable to continued weak sales of office automation equipment, both overseas—especially in China—and in Japan. This occurred despite signs of a recovery in demand taking place for such products as consumer electronics in China.
- Despite a year-on-year increase in sales in China, owing to higher automobile production and sales volume, overall sales to the automotive industry decreased year on year due to the major impact of a drop in the number of automobiles produced in North America and Japan.
- In businesses focusing on functional films/sheets and plastic molding products, overall sales fell due to a contraction in construction-related businesses. This occurred despite a rise in sales of functional films and antireflective sheets for such electronic devices as mobile phones.

[Electronics] Sales: ¥117.59 billion, a 13.4 percent decrease year on year

Sales in the Electronics segment declined overall. This is attributable to the significant impact of the economic downturn that began during the latter half of the previous fiscal year, particularly overseas, despite an early recovery in demand in one area of the LCD industry.

- In the electronic chemicals business, sales recovered briskly during the second half of the fiscal year under review, primarily for products manufactured by Nagase ChemteX Corp. and other Group companies. Although sales of formulated epoxy resins used in light electronics and automobiles declined, sales of new products used in such devices as mobile phones were favorable, maintaining a level on par with the previous fiscal year. At the same time, sales of chemicals used to manufacture LCDs jumped substantially due to the undertaking 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 used in silicon wafer processing used in semiconductors and hard disks remained nearly on par with the previous year’s level. In LCD displays, sales of materials for touch panels and optical film were firm. Nagase also released new materials in response to the ongoing slimming of LCD panels. Overall business sales, on the other hand, declined significantly due mainly to a decrease in sales of mobile phone modules as well as a decline in Nagase’s manufacturing and assembly business in China.

[Life Sciences] Sales: ¥55.54 billion, a 5.7 percent decrease year on year

In the Life Sciences segment, sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly. In addition, sales of such products as pharmaceutical raw materials and intermediates in the fine chemicals business fell, while sales of raw materials used in agricultural chemicals and fermentation products declined. As a result, overall sales fell.

- In the fine chemicals business, sales of pharmaceutical raw materials and intermediates dipped slightly due to such factors as a delay in new chemical development plans for the pharmaceutical industry caused by delayed economic recovery. In enzymes and fermentation products, although sales of new products developed by Nagase ChemteX Corp. increased, these sales were unable to cover a drop in sales of existing products in this segment, leading to a dip in sales. Coupled with the recording of lower overseas sales, overall sales in the fine chemicals business declined.
- In the beauty care products business, which handles cosmetics and health foods, despite favorable sales of new beauty care products, health food sales were weak from the second half of the period under review. Consequently, overall results in the beauty care products business saw a slight decline.

[Other] Sales: ¥1.12 billion, a 29.3 percent decrease year on year

No specific items to report in this segment during the year under review

Forecast for the Fiscal Year Ending March 31, 2011

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal year ending March 31, 2011	647,000	15,000	16,200	9,500
Fiscal year ended March 31, 2010	603,949	13,128	14,712	7,537
Year-on-year comparison	7.1%	14.3%	10.1%	26.0%

a. Performance Forecast for the Fiscal Year Ending March 31, 2011 (Fiscal 2011)

Regarding the economic outlook for the fiscal year ending March 31, 2011, it is thought that a gradual recovery will continue, with China and the rest of Asia acting as growth drivers. By contrast, there is little room for optimism regarding the domestic economy amid concerns about the slow pace of recovery. This is attributable to factors that include the limited impact of economic stimulus measures that have sustained the economy to date, deflation and sluggish consumer spending.

Based on the aforementioned conditions, consolidated net sales for the fiscal year ending March 31, 2011 are expected to rise 7.1 percent to ¥647.00 billion. From a profit perspective, operating income is projected to increase 14.3 percent to ¥15.00 billion, ordinary income to rise 10.1 percent to ¥16.20 billion and net income to jump 26.0 percent to ¥9.50 billion.

An exchange rate of ¥90 to US$1 is used as the basis of performance forecasts.

b. Forecast by Business Segment

In the Chemicals segment, although sales in the printing business in the China Caminami district are projected to drop, sales in this segment are expected to increase 4.6 percent year on year to ¥248.00 billion owing to a rise in demand, especially in China, and a gradual recovery of the Japanese economy. In the Plastics segment, amid a progressive shift towards purchasing from overseas manufacturers, domestic sales fell. However, sales are forecasted to increase owing to a recovery of demand in such areas as automobiles in Northeast Asia. Consequently, sales in this segment are expected to rise 1.3 percent to ¥195.00 billion. In the Electronics segment, sales are expected to jump 24.3 percent to ¥146.20 billion as a result of an augmentation of manufacturing capabilities and bases, both in Japan and overseas, to contend with increasing demand in the LCD-related industry. Buoyed by redoubled efforts to develop and increase sales of Group products, results in the Life Sciences segment are anticipated to climb 1.9 percent to ¥56.60 billion.

The forecast for the fiscal year ending March 31, 2011 is based on information available to the Company’s management as of the date of this report. However, forecasts may differ from actual results due to a variety of factors including unforeseen changes in economic conditions or the operating environment, including the effect of economic trends in the United States and China and the effect of changes in the supply/demand balance in the electronic equipment, automotive and related markets.

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

Total assets increased ¥27.12 billion compared with the end of the previous fiscal year, to ¥368.08 billion, despite a decrease in securities and inventories used as current assets. This is mainly attributable to an increase in cash and time deposits—caused by a rise in notes and accounts receivable and an accumulation of cash and cash equivalents—as well as to climbing current prices of investment account securities stemming from a rise in share prices.

Total liabilities increased ¥16.29 billion compared with the previous fiscal year-end to ¥165.33 billion due to such factors as rises in notes and accounts payable and deferred tax liability. This occurred despite a decrease in short-term loans.

Net assets stood at ¥202.75 billion as of March 31, 2010, up ¥10.82 billion compared with March 31, 2009 due mainly to an increase in net unrealized holding gain on securities.

Accounting for the aforementioned factors, the net worth ratio fell 1.0 percentage point from 54.1 percent to 53.1 percent.

b. Summary of Consolidated Cash Flows

Net cash provided by operating activities was ¥27.87 billion, due to factors including decreases in working capital and income before income taxes stemming from a contraction in inventory as well as income before income taxes and minority interests totaling ¥13.53 billion. This occurred despite rises in notes and accounts receivable and notes and accounts payable.

Net cash used in investing activities amounted to ¥9.43 billion. This reflected such factors as purchases of property, plant and equipment and investment securities.

Net cash used in financing activities totaled ¥11.75 billion due to such factors as a reduction in short-term loans and the payment of dividends.

As a result, the balance of cash and cash equivalents as of March 31, 2010 stood at ¥42.80 billion, up ¥6.67 billion compared with the end of the previous fiscal year.

c. Trends in Cash Flow Indicators

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Net worth ratio	49.6%	48.5%	47.8%	54.1%	53.1%
Net worth ratio based on market value	51.0%	45.1%	31.2%	28.7%	40.8%
Interest-bearing debt to cash flow ratio	—	1.9 years	—	0.9 years	0.8 years
Interest coverage ratio	—	12.6	—	36.0	44.7

Notes: Net worth ratio = (Net assets – Stock acquisition rights – Minority interests) / Total assets
Net worth ratio based on market value = Market capitalization of shares / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Operating cash flow
Interest coverage ratio = Operating cash flow / Interest expense

- All indicators are calculated on the basis of consolidated financial figures.
- Total market value of shares is calculated by multiplying the closing price of shares at the end of the period by the total number outstanding shares at the end of the period.
- Operating cash flow refers to net cash provided by operating activities in the Consolidated Statements of Cash Flows. Interest-bearing debt refers to all debt for which interest is payable as declared in the Consolidated Balance Sheets. Interest expense refers to the amount of interest paid as shown in the Consolidated Statements of Cash Flows.

(3) Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2010 and Ending March 31, 2011

The Nagase Group's basic policy is the further enhancement of its corporate structure and earnings capabilities to continue generating steady dividends for shareholders, based on comprehensive consideration of medium- to long-term demand for funds to meet future growth and consolidated business performance trends. The Nagase Group intends to use internal funds effectively to enhance future business activities and its management base.

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 therefore intends to pay an annual dividend of ¥16 per share.

For the fiscal year ending March 31, 2011, Nagase plans to pay a total cash dividend of ¥18 per share, consisting of an interim and fiscal year-end dividend of ¥9 per share each.

(4) Operating and Other Risks

The Nagase Group is engaged in trading, marketing, research and development, manufacturing and processing, and it 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. Forward-looking statements are Nagase Group estimates as of March 31, 2010.

a. Overall Operating Risk

The Nagase Group conducts a wide spectrum of operations across five fields comprising chemicals, plastics, electronics, life sciences and others, all 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.

b. 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 performance and financial position.

c. Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import and export transactions and non-trade 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 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.

d. Risks Involved in Interest Rate Fluctuations

The Nagase Group receives financing for its operating and investment activities through loans supplied by financial institutions. Consequently, interest-bearing debt is subject to conditions that can cause interest rates to fluctuate. The Group makes an effort to alleviate risk associated with interest rate fluctuations by utilizing interest swap contracts and other measures. However, there exists the possibility that future interest rate fluctuations may impact the Group's operating results and financial position.

e. 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 positions.

f. 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.

g. Counterparty Credit Risk

The Nagase Group is exposed to credit risk because it extends credit to buyers in a diverse array of transactions in Japan and overseas. As a matter of policy, the Nagase Group moves to reduce credit risk by taking measures such as obtaining guarantees and collateral in correlation with the financial condition of buyers. In addition, although the Nagase Group makes efforts to ensure stable, uninterrupted product procurement, the continuous supply of products the Group handles could become difficult due to the deterioration of the financial condition or bankruptcy of suppliers or other parties involved in transactions. Materialization of these risks could impact the Group's performance and financial position.

h. 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.

i. 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. In addition, the Nagase Group assumes liability for the products it handles as an importer, and devotes the same 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 or pay compensation for damages, which could impact the Group's performance and financial position.

j. 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 Chemical Management 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.

2. Information on the Corporate Group

There are no material changes to the business activities of the Nagase Group or the status of affiliated companies outlined in the Company's Securities Report filed on June 26, 2009. Accordingly, this information has been omitted.

3. Management Policies

(1) Basic Management Policy

Management Philosophy
"The Nagase Group is a member of the 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 needed while improving the welfare of our employees."

Consistent with this management philosophy, the Company has positioned activities that contribute to society, including efforts to maintain good and fair business practices while ensuring continued growth and development, as its most important goal.

Underpinned by the Group slogan "a technology and intelligence oriented company that turns wisdom into business," Nagase seeks to become a unique company that combines the functions of a trading company and a manufacturer by exploiting technology, information and wisdom enhanced by experience. We will continue reinforcing these functions and offering business solutions in order to be our customers' partner of choice in their business operations.

(2) Management Objectives and Medium-Term Strategies

Guided by the aforementioned management philosophy, Nagase has formulated the following objectives and strategies as it works toward realizing its vision for the future.

- Allow stakeholders to realize their dreams and ideals through our businesses
- Continue to grow and raise value with technology as the foundation in businesses in which we are strong
- Anticipate changes in market structure and the environment, and make progress with customers by proposing original solutions
- Contribute to society and the global environment

Confronted by rapid structural and qualitative changes in its external environment, the Nagase Group recognizes the need to secure sure-footed structural and operating business progress as it works toward realizing its vision for the future. With this in mind, the Company formulated ***"CHANGE" 11***, its new medium-term management plan, which covers the three-year period commencing April 2009. By the final fiscal year of the plan, fiscal 2012, the fiscal year ending March 31, 2012, Nagase has targeted consolidated net sales of ¥720.00 billion and consolidated operating income of ¥15.00 billion. Recognizing the uncertainty that surrounds future economic conditions, however, the Company is well aware of the need to adjust these numerical targets as changes in its operating environment dictate. Looking ahead, the Nagase Group will continue to focus on consolidated operating income as its key numerical target, representing the true nature and quality of its mainstay business activities. Positioning efforts to "enhance the quality of its business and operations" as the cornerstone of ***"CHANGE" 11***, the Company has also identified the following core initiatives.

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

(3) Issues to be Addressed by the Company

Responding to Changes in the Business Environment
With the aim of achieving an ongoing increase in corporate value, Nagase will promote the "select and concentrate" approach from the perspective of maintaining future growth in response to changes in the business environment in which the Company operates. With regard to the Company's existing businesses, particularly those that exhibit a weak operating foundation and are notably affected by shifts in the environment, Nagase is undertaking a stringent review of new investment activity encompassing investment details, timing and scale, and it is adopting wide-ranging countermeasures that include business withdrawal. At the same time, the Company is evaluating the probability of inventory sales and strengthening its business risk management capabilities focusing on asset management and maintenance.

Implementing Groupwide Strategies under the "CHANGE" 11 Medium-Term Management Plan

"CHANGE" 11, the Company's three-year medium-term management plan was launched in April 2009. Underpinned by the plan's overarching basic strategy to "enhance the quality of its business and operations," Nagase will pursue the following core initiatives.

1. Select and concentrate businesses

Amid dramatic fluctuations in technological innovation and shifts in its operating environment, the Nagase Group is evaluating the quality and purport of its business strategies to ensure their continued relevance and value. For businesses that exhibit a weak foundation and are easily affected by changes in business conditions, the Company is adopting wide-ranging countermeasures including business withdrawal. For businesses that exhibit growth potential, Nagase is promoting Groupwide cooperation and is selectively channeling management resources to the priority automotive, electronics and life science fields.

During the fiscal year under review, the Company made ongoing efforts to restructure its businesses, withdrew from the automobile components molding business—which is not expected to be profitable—and made a decision to diminish the scope of its construction materials-related business. Moreover, in the life sciences field, the Company undertook active investment in the manufacturing industry. In the electronics field, Nagase promoted a companywide project related to batteries as well as furthered internal company cooperation straddling divisions related to LEDs. In the automotive field, Nagase initiated new businesses in India while acquiring lithium ion battery module development firms.

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

As concerns surrounding the global environment and energy conservation gather momentum, society's needs both in Japan and overseas focus increasingly on environmental protection and resource recycling. Against this backdrop, the Nagase Group is pioneering global technology innovation and working diligently to cultivate new businesses.

During the fiscal year under review, Nagase established the Environment and Energy Office, bolstered efforts to develop environment- and energy-related technologies and accelerate the promotion of these undertakings throughout the Group. In addition, Nagase and Nagase ChemteX Corp. obtained approval from the Ministry of Economy, Trade and Industry for their resource production innovation plan, covering chemical production and supply as well as the collection and recycling of used chemicals at the LCD industrial complex located in Sakai.

3. Strengthen R&D and manufacturing functions

The Nagase Group is endeavoring to further strengthen and expand the scope of its research, development and manufacturing capabilities in an effort to provide higher added value to its customers. At the same time, the Group is striving to lift the overall share of its proprietary high-value-added businesses.

During the fiscal year under review, the Company undertook the acquisition of and investment in manufacturing companies seen to have potential. Such efforts involved the creation of wholly owned subsidiaries, including a lithium-ion battery module development firm and a company that produces and sells organic fertilizers. It also invested in a pharmaceutical intermediate manufacturing company in India.

4. Promote globalization

Constituting an increasingly higher proportion of its total turnover, the Nagase Group is placing additional weight on overseas sales and the promotion of its global activities. In this context, and in an effort to secure optimal operations, the Company is endeavoring to strike a balance between its business and regional strategies. In Asia, Nagase is working to further reinforce its business platform, while in Europe and the United States, the Company is actively rebuilding it existing business structure and systems. Looking ahead, the Group will focus on the chemical industry in the Middle East, an area that is expected to experience solid growth.

During the fiscal year under review, the Company commenced sales of plastic additives for the Saudi Arabia-based Rabigh Refining & Petrochemical Company, which boasts the world's largest petroleum refining and petrochemicals plant. Nagase also decided and is making preparations to establish an overseas company in Mexico in order to gain a foothold in markets in Central and South America, which are expected to grow in the future. In Southeast Asia, the Company is expanding the scope of commercial licenses of an overseas company it established in Vietnam in 2008.

5. Strengthen risk management

To comprehensively identify, control and reduce the various types of risk that arise in conjunction with its operations, it is imperative that the Nagase Group further enhance its risk management system. Given this situation, the Group will continue to bolster its compliance, production and quality control systems, while adhering strictly to its business risk management and internal control systems.

During the fiscal year under review, Nagase continued to strengthen risk management systems with regards to the administration of exported and imported products, including the establishment of internal rules to respond to revisions in the Foreign Exchange and Foreign Trade Act. In addition, the Company took steps to formulate a business continuity plan (BCP); as a part of this plan, the Company began transferring its server functions to an outside data center.

6. Promote employee diversity and improve work-life balance

The Nagase Group is endeavoring to build a support structure that encompasses organizational reform. In promoting an optimal workplace environment and corporate culture that takes into account the varied and diverse values and lifestyles of employees, Nagase is helping to maximize individual abilities and personalities.

During the fiscal year under review, Nagase continued to promote employee diversity and provide assistance to work-life balance efforts through such actions as encouraging male employees to take childcare leave and the introduction of a “no overtime day” twice a month.