Consolidated Financial Statements for the Fiscal Year Ended March 31, 2011

<Under Japanese GAAP>

April 28, 2011

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 28, 2011

Start of Distribution of Dividends (scheduled): June 29, 2011

Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): June 29, 2011

Supplementary Documents: Yes

Annual Investors' Meeting: Yes

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

1. Consolidated Results for the Fiscal Year Ended March 31, 2011 (April 1, 2010 to March 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income	
Year ended:	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2011	660,213	9.3	18,732	42.7	20,625	40.2	12,823	70.1
March 31, 2010	603,949	(15.6)	13,128	4.8	14,712	12.7	7,537	29.8

(Note) Comprehensive income: Year ended March 31, 2011: ¥9,191 million (58.3%)
Year ended March 31, 2010: ¥15,755 million (NA)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
Year ended:	Yen	Yen	%	%	%
March 31, 2011	99.76	—	6.5	5.5	2.8
March 31, 2010	58.64	—	4.0	4.1	2.2

(Reference) Equity in earnings of affiliates: Year ended March 31, 2011: ¥300 million
Year ended March 31, 2010: ¥291 million

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
As of:	Millions of yen	Millions of yen	%	Yen
March 31, 2011	375,336	209,316	53.7	1,568.04
March 31, 2010	368,088	202,753	53.1	1,519.61

(Reference) Equity capital: March 31, 2011: ¥201,516 million
March 31, 2010: ¥195,344 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
Year ended:	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2011	10,997	(9,147)	3,564	47,202
March 31, 2010	27,875	(9,438)	(11,753)	42,807

2. Dividends

	Annual dividends per share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
	1Q	Interim	3Q	Fiscal Year-End	Annual			
Year ended (or ending):	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2010	—	7.00	—	9.00	16.00	2,057	27.3	1.1
March 31, 2011	—	9.00	—	13.00	22.00	2,827	22.1	1.4
March 31, 2012(est.)	—	12.00	—	12.00	24.00		25.7	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

(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	315,000	(4.9)	7,700	(26.9)	8,500	(25.2)	5,400	(21.2)	42.02
Full fiscal year	660,000	(0.0)	18,000	(3.9)	19,000	(7.9)	12,000	(6.4)	93.37

4. Other

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes
New: 1 (Company name: Sofix Corporation) Excluded: — (Company name: —)

(2) Changes in accounting principles, procedures and presentation methods in connection with 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: None

(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, 2011: 138,408,285 shares
  March 31, 2010: 138,408,285 shares
- ii. Number of treasury stock as of the fiscal year-end
  March 31, 2011: 9,893,808 shares
  March 31, 2010: 9,859,357 shares
- iii. Average number of shares during the period
  Year ended March 31, 2011: 128,535,317 shares
  Year ended March 31, 2010: 128,553,733 shares

Indication of Audit Procedure Implementation Status
This earnings report is exempt from the audit procedure stipulated by the Financial Instruments and Exchange Act. Furthermore, consolidated financial statements were undergoing the audit procedure process at the time of release of this report.

Cautionary Statement with Respect to Forecasts of Consolidated Business Results
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. Please refer to 1. Business Performance on pages 3 to 7 of the Attachment for additional information on projected results.

1. Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 31, 2011)

a. General Summary of Results

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

Reflecting these conditions, Nagase's domestic sales for the fiscal year under review rose 8.0% year on year to ¥389.37 billion, and overseas sales grew 11.2% to ¥270.83 billion. Net sales increased 9.3% to ¥660.21 billion.

On the earnings front, owing to the net sales increase, operating income surged 42.7% to ¥18.73 billion, ordinary income jumped 40.2% to ¥20.62 billion, and net income soared 70.1% to ¥12.82 billion.

Due to the Great East Japan Earthquake, one of Nagase manufacturing subsidiaries incurred plant restoration expenses totaling ¥20 million. In view of its minor impact on the Nagase Group's performance, this amount was included in operating expenses. The subsidiary in question had resumed normal operations as of March 31, 2011.

b. Segment Summary

[Chemicals]　　Sales: ¥253.29 billion, a 6.8 percent increase year on year

Overall demand in the chemicals industry was strong, and Nagase's Chemicals segment domestic sales expanded. Overseas, decreased sales in Northeast Asia were offset by increased sales in Southeast Asia and Europe, resulting in a rise in segment sales.

- In the colors and imaging business, which handles pigments, dyestuffs, digital print processing materials, functional dyes and other products related to color, the business performance of dyestuffs and fiber-processing agents for the fiber-processing industry and thermal toner materials remained flat year on year. However, an increase in sales of printer ink materials, functional color pigments for display-related applications and electro conductive polymer pushed up overall sales in this business.
- In the performance chemicals business, which handles a wide array of products ranging from naphtha-derived general-purpose petrochemical products to high-value-added products, overseas sales of plastic raw materials and additives were brisk. Also, sales of urethane and paint materials to the automobile industry grew, raising overall sales in this business.
- In the speciality chemicals business, which boasts an extensive product portfolio that includes surfactants, industrial oil solutions and organic synthesis materials as well as sealant materials for fluorochemical and semiconductor applications, overall performance was robust. Nagase ChemteX Corp., which functions as the central body among manufacturing companies within the Nagase Group, saw higher sales, particularly of products for LCD-related applications.

[Plastics]　　Sales: ¥222.10 billion, a 15.3 percent increase year on year

Sales in Northeast and Southeast Asia were strong, and sales in Europe, the United States and Japan expanded. As a result, sales in the Plastics segment increased year on year.

- Despite inventory adjustments conducted by certain industry players during the period under review, domestic sales to office automation and consumer electronics businesses showed steady growth. Supported also by increased export of resins and molding-related products to China, overall sales in this category expanded from the previous fiscal year.
- Domestic sales of automotive materials and products showed robust growth on the back of increased automobile production as a result of various government policies, including the provision of subsidies to buyers of eco cars. The termination of such government policies during the period had little effect on sales of these materials and products. Overseas, Northeast and Southeast Asia saw a continuing boom in the production of automobiles, and North America started to see signs of recovery in automobile production. Accordingly, sales of automotive materials and products expanded, increasing overall sales in this business.
- In businesses focusing on functional films and sheets and plastic molding products, sales of functional films (insulating sheets) for LCD TVs and power connectors and anti-reflective sheets for such electronic devices as

mobile phones declined. Despite an increase in sales of precision inspection systems for liquid crystal polarizer films, overall sales in these businesses dropped slightly year on year.

[Electronics] Sales: ¥133.64 billion, a 13.6 percent increase year on year

Increased demand for LCDs, semiconductors, touch panels, smartphones and other electronic products resulted in steady growth of segment sales. By region, sales in Southeast Asia declined, while those in Japan, Northeast Asia, Europe and the United States increased.

- In the electronic chemicals business, particularly the products of Nagase Group companies, such as Nagase ChemteX Corp., performed robustly. Sales of formulated epoxy resins expanded significantly, supported by a recovery in demand for these resins for heavy electric machinery applications and by strong demand for applications in mobile phones, particularly smartphones. Sales of chemicals used to manufacture LCDs also expanded substantially, reflecting the positive impact of a new business launch. As a result, overall sales in this business grew year on year.
- In the electronic materials business, sales of precision abrasive materials used in silicon wafer processing for semiconductors and hard disks remained flat compared with the previous fiscal year. In LCDs, sales of materials for optical film were firm, while sales of materials for touch panels increased significantly. Overseas, the performance of businesses focusing on the ongoing slimming of LCD panels showed significant growth. Consequently, overall sales in this business expanded substantially.

[Life Sciences] Sales: ¥50.24 billion, a 9.5 percent decrease year on year

In the fine chemicals business, sales of pharmaceutical raw materials and intermediates and raw materials used in agricultural chemicals declined, and sales of materials of living commodities dipped slightly. Sales in the beauty care products business, which handles cosmetics and health foods, also dipped slightly. As a result, segment sales decreased year on year.

- In the fine chemicals business, sales of pharmaceutical products manufactured by Nagase Medicals Co., Ltd. remained almost on par with the previous fiscal year. Meanwhile, demand for existing pharmaceutical raw materials and intermediates stalled, and there was a delay in the development of new products. Accordingly, sales of these products declined year on year. In enzymes and fermentation products, sales of products developed by Nagase ChemteX Corp. showed a slight increase. However, overall sales in this business decreased year on year.
- In the beauty care products business, sales of new health food products were brisk. On the other hand, sales of cosmetics were stagnant, reflecting a general hesitance among consumers to buy when anticipating new releases. As a result, overall sales in this business slipped slightly year on year.

[Other] Sales: ¥0.93 billion, a 16.7 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, 2012

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Year ending March 31, 2012	660,000	18,000	19,000	12,000
Year ended March 31, 2011	660,213	18,732	20,625	12,823
Year-on-year comparison	(0.0%)	(3.9%)	(7.9%)	(6.4%)

a. Performance Forecast for the Fiscal Year Ending March 31, 2012

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

Under these conditions, Nagase forecasts that it will post consolidated net sales totaling ¥660.0 billion, an amount on par with results recorded in the fiscal year under review, operating income of ¥18.0 billion, down 3.9%, ordinary income of ¥19.0 billion, down 7.9%, and net income of ¥12.0 billion, down 6.4%.

An exchange rate of ¥83.00 to US$1 has been used as the basis of performance forecasts.

b. Forecast by Business Segment

In the Chemicals segment, Nagase expects to record sales totaling ¥270.0 billion, up 1.8% compared with the fiscal year under review, supported by ongoing robust overseas demand and anticipated demand recovery in Japan in the second half. In the Plastics segment, although demand is likely to increase in the office automation and consumer electronics industries overseas, the global automobile industry is slated to suffer decreased production due to interruptions in the supply of automotive parts and components made in Japan. Accordingly, the Company estimates that it will post sales totaling ¥215.0 billion, down 3.2%. In the Electronics segment, demand in the semiconductor industry as well as in the LCD industry—particularly for small- and medium-sized LCDs—is anticipated to expand. Based on this expectation, the Company estimates that it will record sales totaling ¥124.0 billion, up 1.9%. In the Life Sciences segment, Nagase will continue efforts to develop and increase sales of Group products. Nevertheless, the Company expects to post sales totaling ¥50.0 billion, down 0.5%.

With regard to the above forecast, previously, the business handling precision abrasive materials, solar cell-related materials and hard disk-related materials had been classified under the Electronics segment. In pursuit of greater business synergy, Nagase has reclassified this business under the Chemicals segment from the fiscal year ending March 31, 2012. Year-on-year change percentage figures for these two segments as presented above are based on the assumption that this reclassification had already been implemented during the fiscal year under review. Sales in the business affected by this reclassification amounted to ¥12.0 billion in the reporting term.

Furthermore, the aforementioned forecast is based on information available to the Company's management as of the date of this report and may differ from actual results due to a variety of factors including: (1) the status of domestic production and restoration after the Great East Japan Earthquake; (2) overseas economic trends; and (3) foreign exchange fluctuations.

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

Total assets increased ¥7.24 billion from March 31, 2010 to ¥375.33 billion. A decrease in investments in securities due to sales of stocks and falling share prices, among other factors, was more than offset by an increase in inventories in line with sales expansion and an increase in cash and time deposits aimed at enhancing liquidity.

Total liabilities increased ¥0.68 billion to ¥166.02 billion despite a decrease in notes and accounts payable. This was due to an increase in short-term loans accompanying the accumulation of working capital.

Net assets increased ¥6.56 billion to ¥209.31 billion despite a deterioration in translation adjustments attributable to yen appreciation and other negative factors. This increase was mainly due to an increase in retained earnings.

Accounting for the aforementioned factors, the net worth ratio improved 0.6 of a percentage point from 53.1% as of March 31, 2010 to 53.7%.

b. Summary of Consolidated Cash Flows

Net cash provided by operating activities stood at ¥10.99 billion. An increase in working capital in line with an increase in notes and accounts receivable due to sales expansion and a rise in inventories was more than offset by income before income taxes and minority interests totaling ¥20.91 billion.

Net cash used in investing activities totaled ¥9.14 billion. Cash inflows, such as proceeds from sales of investments in securities, were offset by cash outflows, such as purchases of property, equipment and intangible fixed assets.

Net cash provided by financing activities was ¥3.56 billion. The payment of dividends and other cash outflows were offset by an increase in short-term loans.

Accounting for these factors and the effect of exchange rate changes on cash and cash equivalents, which totaled ¥1.25 billion, the balance of cash and cash equivalents as of March 31, 2011 stood at ¥47.2 billion, up ¥4.39 billion from March 31, 2010.

c. Trends in Cash Flow Indicators

Year ended:	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Net worth ratio	48.5%	47.8%	54.1%	53.1%	53.7%
Net worth ratio based on market value	45.1%	31.2%	28.7%	40.8%	33.9%
Interest-bearing debt to cash flow ratio	1.9 years	—	0.9 years	0.8 years	2.5 years
Interest coverage ratio	12.6	—	36.0	44.7	19.5

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, 2011 and Ending March 31, 2012

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

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Based on this policy, Nagase plans to pay a year-end dividend of ¥13.00 per share for the fiscal year ended March 31, 2011. Therefore, together with the interim dividend, the Company intends to pay an annual dividend of ¥22.00 per share.

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

(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's estimates as of March 31, 2011.

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 overseas 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.

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 works 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-value-added products 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 while devoting similar attention to the quality of these products as well. 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, Southeast Asian nations, 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. 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. This new plan was formulated under uncertain circumstances where it was extremely difficult to make an economic forecast due to the global recession triggered by a financial crisis in the United States. Under this plan, Nagase has set performance targets—namely, consolidated net sales of ¥720.0 billion and operating income of ¥15.0 billion—for the fiscal year ending March 31, 2012, the final year of ***"CHANGE" 11***. Nagase posted ¥18.7 billion in operating income and was able to achieve one of these targets one year ahead in the fiscal year under review. 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, the Nagase Group 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, Nagase and Kyoraku Co., Ltd. established a joint venture in Indiana, the United States to more strategically penetrate the North American automobile market. Tasked with the manufacture and sale of blow-molded resin parts and products for automobile interior, this joint venture has started mass-production. Meanwhile, the Company received and accepted a divestiture offer for the business of "color formers"—special pigments used in thermal paper. Accordingly, the Company turned certain manufacturing companies in the United States and Japan into its subsidiaries. This is a strategic move aimed at establishing a comprehensive thermal materials business.

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 newly established an Energy Device Office. This office will be responsible for streamlining the Company's lithium ion battery-related businesses and building a comprehensive business structure required to cover the entire process, from materials to applications, toward the expansion of energy-related businesses. Also, CAPTEX Co., Ltd., which develops lithium battery modules and became a Nagase subsidiary in 2009, decided to construct a new plant for mass-production in Okazaki City, Aichi Prefecture. CAPTEX has been selected by the Ministry of Economy, Trade and Industry (METI) as a 2010 recipient of the Regional Development Subsidy for Enterprise Creating Employment and Generating Low Carbon and is expected to receive the subsidy soon.

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, in its epoxy resin business, Nagase ChemteX Corp., a Nagase subsidiary, decided to set up new production facilities within the Harima Plant to meet increasing domestic and overseas demand for mobile device parts, liquid molding semiconductor materials and solar cell materials. Also, in its enzyme business, Nagase ChemteX decided to set up new production facilities within the Fukuchiyama Plant to reinforce its portfolio of in-house products, such as enzyme and phospholipid, which apply the characteristics of actinomycete.

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, in response to increased demand for outsourcing the production of resin products in China, Nagase established a joint venture in Changzhou City, Jiangsu Province for contract manufacturing of functional plastics and intermediates. In Mexico, where market expansion driven by automobile and related industries is highly anticipated, Nagase established a local subsidiary. Furthermore, the Company established a joint venture in Mexico to manufacture and sell frame laminates and urethane for automobiles.

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, in order to ensure compliance with overseas laws and regulations regarding chemicals and chemical products, Nagase worked to develop a structure to promote secure trade administration by overseas subsidiaries. In addition, the Company continued to provide export control seminars and other educational programs to Nagase employees and the employees of its affiliates.

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 was certified by and received a certificate from the Osaka Labour Bureau as a general business owner who complies with the standards defined under the Act for Measures to Support the Development of the Next Generation. Meanwhile, Nagase continued to strengthen employee diversity and provide assistance to work-life balance efforts through such actions as promoting “no overtime days” and offering seminars on related topics.