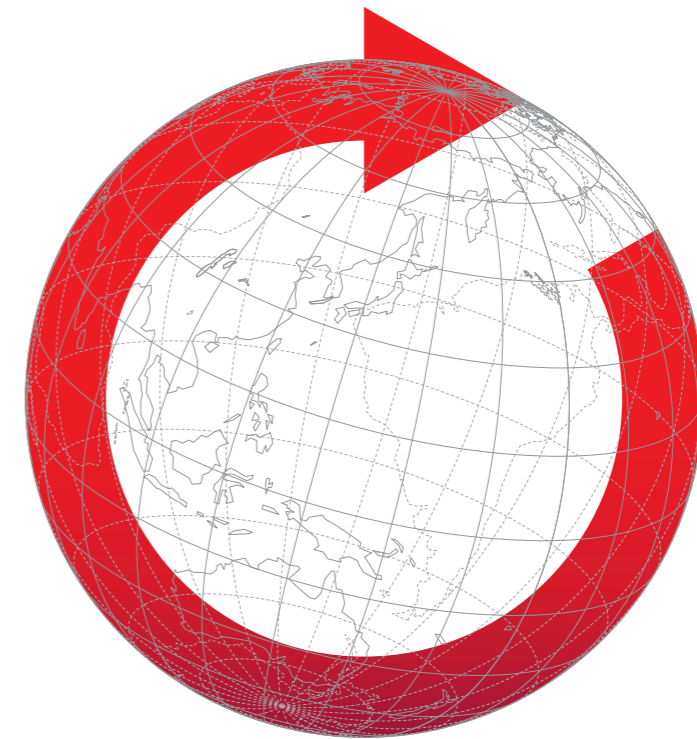


## Annual Report | 2009

Year ended March 31, 2009

*“Combining Specialist Expertise,  
Creating New Value at Nagase”*



# NAGASE

NAGASE & CO.,LTD.

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# NAGASE

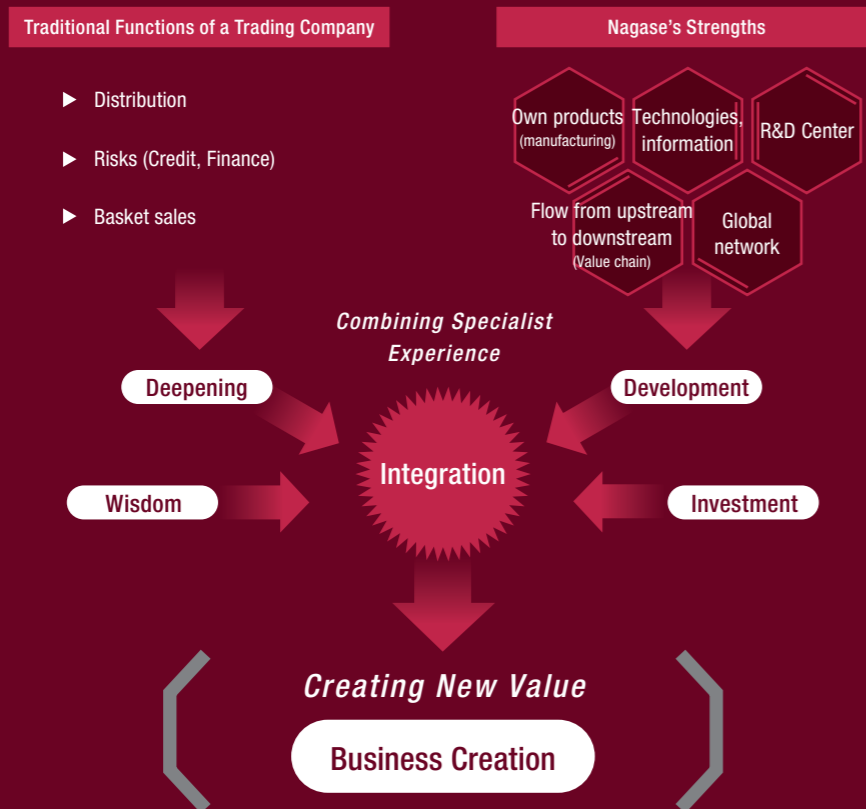
## Corporate Profile

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

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

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

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



Chemicals

Plastics

Electronics

Life Sciences

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### A Cautionary Note on Forward-Looking Statements

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

# 10-Year Financial Highlights

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

	Millions of Yen							Change			Thousands of U.S. Dollars	
	2000/3	2001/3	2002/3	2003/3	2004/3	2005/3	2006/3	2007/3	2008/3	2009/3		2009/2008
	<b>① WIT2000 (Reform)</b>			<b>② WIT21 (Promotion)</b>			<b>③ WIT2008 (Reinforcement)</b>					
	Investment Amount ¥20.2 billion			Investment Amount ¥23.7 billion			Investment Amount ¥27.7 billion					
<b>For the Year:</b>												
Net Sales	¥ 568,293	¥ 559,372	¥ 490,583	¥ 503,688	¥ 533,301	¥ 575,636	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	(6.5)%	\$ 7,281,258
Chemicals	249,977	237,871	218,524	223,656	231,360	251,725	222,282	247,094	267,836	248,461	(7.2)	2,529,380
Plastics	192,710	205,460	175,252	165,810	170,996	188,456	229,278	244,681	274,660	253,029	(7.9)	2,575,883
Electronics	109,770	103,382	83,660	99,759	118,978	122,632	132,086	150,796	163,833	153,255	(6.5)	1,560,165
Life Sciences	—	—	—	—	—	—	56,404	53,556	56,489	58,905	4.3	599,664
Others	—	—	—	—	—	—	7,972	5,191	1,934	1,585	(18.0)	16,136
Healthcare	15,835	12,658	13,146	14,461	11,966	12,821	—	—	—	—	—	—
Gross Profit	55,287	55,140	46,976	51,899	53,494	61,960	67,640	73,639	80,506	71,527	(11.2)	728,158
Operating Income	8,147	7,752	1,673	8,433	10,244	13,256	17,596	21,669	23,063	12,522	(45.7)	127,476
Net Income (Loss)	6,371	4,945	(2,097)	4,186	7,010	10,384	12,892	13,567	10,005	5,808	(41.9)	59,127
<b>At the Year-End:</b>												
Total Assets	¥ 316,657	¥ 353,776	¥ 300,073	¥ 284,800	¥ 310,793	¥ 335,290	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	(18.8)%	\$ 3,471,119
Net Assets	134,838	153,498	144,176	140,944	156,210	167,092	196,620	205,083	200,554	184,599	(8.0)	1,879,253
Interest-Bearing Debt	29,681	23,878	19,677	16,578	16,417	14,019	24,834	20,491	33,342	31,340	(6.0)	319,047
	Yen											U.S. Dollars
<b>Per Share Data:</b>												
Net Income (Basic)	¥ 44.25	¥ 35.28	¥ (15.39)	¥ 31.72	¥ 54.69	¥ 81.00	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	(42.0)%	\$ 0.46
Net Assets	952.67	1,104.81	1,082.16	1,107.55	1,227.82	1,311.37	1,535.70	1,597.27	1,559.97	1,435.88	(8.0)	14.62
Cash Dividends	8.0	8.0	8.0	8.0	9.0	10.0	15.0	18.0	17.0	16.0	(5.9)	0.16
<b>Ratios:</b>												
Operating Margin (Operating Income/Net Sales)	1.4	1.4	0.3	1.7	1.9	2.3	2.7	3.1	3.0	1.8	(1.2)	
Return on Equity (ROE)	4.9	3.4	(1.4)	2.9	4.7	6.4	7.1	6.8	4.9	3.0	(1.9)	
Return on Assets (ROA)	2.1	1.5	(0.6)	1.4	2.4	3.2	3.5	3.3	2.4	1.5	(0.9)	
Shareholders' Equity Ratio	42.6	43.4	48.0	49.5	50.3	49.8	49.6	48.5	47.8	54.1	6.3	
Debt to Equity Ratio (Times)	0.22	0.16	0.14	0.12	0.11	0.08	0.13	0.10	0.17	0.17	0.0	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=US\$1.00, the approximate rate of exchange prevailing on March 31, 2009

## Medium-Term Management Plan WIT

W: Wisdom I: Intelligence T: Technology

### ① WIT2000 (Reform)

- Reform management foundations
- Launch Group management

Numerical targets N-ROE (Nagase ROE) ..... 7%  
N-ROE: Sales cash flow/Net assets at the start of the fiscal year

### ② WIT21 (Promotion)

- Clearly define business policy
- Enhance business foundations
- Enhance management foundations

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

### ③ WIT2008 (Reinforcement)

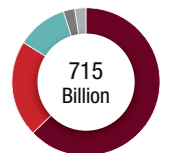
- Strengthen administrative operations
- Maintain Nagase's unique corporate culture
- Deepen business portfolio strategy

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

### Net Sales by Business Segment

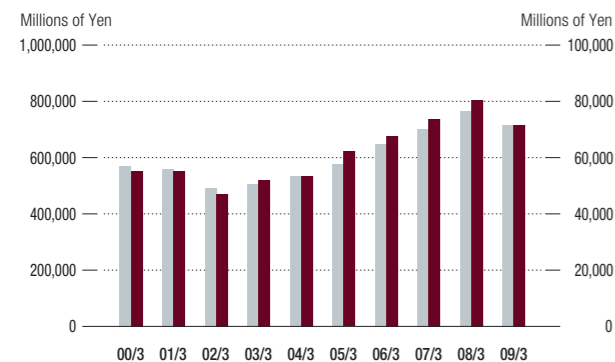


### Net Sales by Region

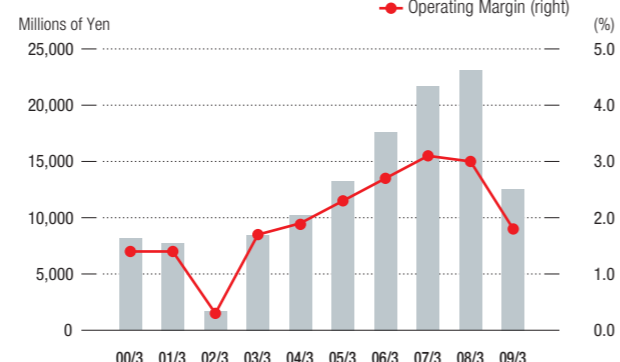


Note: Segment shares do not total 100% because calculations were rounded off to the second decimal place.

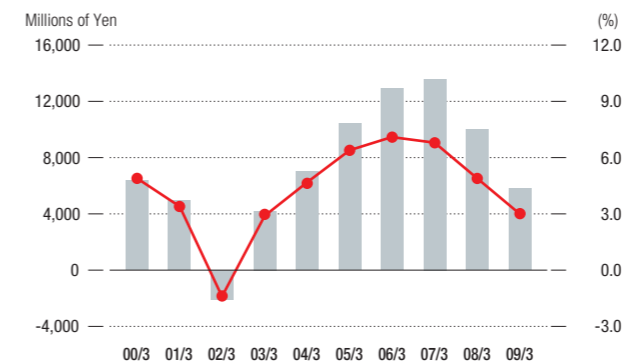
### Net Sales/Gross Profit



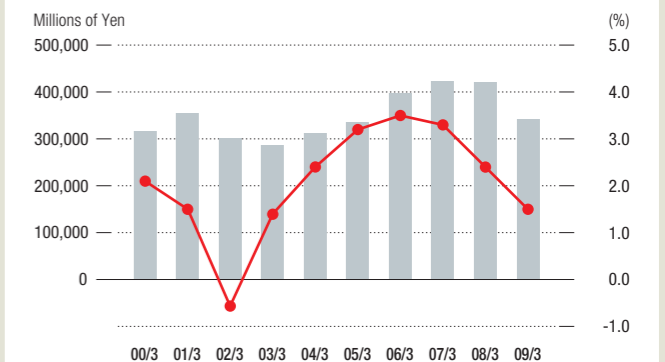
### Operating Income/Operating Margin



### Net Income (Loss)/ROE



### Total Assets/ROA



## Nagase will continue its process of renewal based on its management philosophy of “good and fair business practices,” passed down for over 175 years.

Maintaining good and fair business practices is a management philosophy of the highest importance, and I am certain that its embodiment in each and every one of our employees is what drives the Company’s steady growth and leads to customer satisfaction. This is as true today as it was when Nagase was founded over 175 years ago.

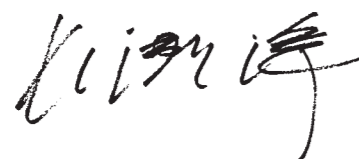
Recently, however, our surrounding circumstances have changed drastically, as the markets for crude oil and raw materials undergo major structural shifts and new petrochemical plants are set up in the Middle East and China. To respond to these major transformations and also to reaffirm Nagase’s continuous pursuit of renewal, we formulated the new medium-term management plan, “CHANGE” 11.

The goals of “CHANGE” 11 were determined with every type of stakeholder in mind. Nagase aims to propose original solutions for customers, provide a workplace environment for employees that allows them to achieve their dreams and ideals, continuously enhance corporate value for shareholders and investors, and for society, make social contributions and help protect the environment.

The Nagase Group’s management and employees will work in unison to raise the level of satisfaction of all of these stakeholders and to attain the Company’s objectives.

July 2009

Hiroshi Nagase  
President




In fiscal 2008, the year ended March 31, 2009, transformations in the global economic environment triggered inventory adjustments and, consequently, drastic cuts to production in the automobile, electrical appliance and electronics industries. Impacted by these conditions, Nagase’s consolidated net sales decreased 6.5% year on year to ¥715.2 billion, and consolidated operating income fell 45.7% to ¥12.5 billion. Sales decreased in every business segment with the exception of Life Sciences, which recorded strong sales of pharmaceutical raw materials and intermediates compared to the previous fiscal year.

In the field of chemicals, the Group’s Chemical business provides raw materials to a wide range of industries, particularly the automotive, electrical appliance, electronics, and life science industries. The impact of plummeting demand from these industries on the chemical industry was so abrupt and simultaneously widespread that, far from entering the low ebb of a normal business cycle, an unprecedented shift appears to have occurred.

### WIT Plan Overview

—The economic crisis occurred when Nagase was formulating its business plan, as WIT2008 had run its course after nine years. Could you tell us about the Company’s measures to deal with the crisis and the results?

A particularly important policy of the WIT plan was to become a “technology and intelligence-oriented” trading company, adding R&D, manufacturing and processing functions to a structure that had primarily conducted the comprehensive distributor business of a trading company. In that context, we underwent a transitional phase, with the import distribution and stand-alone intermediary businesses experiencing some difficulty in continuing operations. Currently, the proportion of business conducted solely by the intermediary business is being reduced significantly.

Nagase had occupied a unique place in the industry as a trading company. Although its business was based on trading, Nagase started importing synthetic dyestuffs from the Swiss company Chemical Industry of Basel (currently Ciba Specialty Chemicals Ltd.) over 100 years ago. After that, Nagase operated as a comprehensive distributor, exclusively importing and selling products in Japan from such American companies as Union Carbide

(currently the Dow Chemical Company) and GE Plastics (currently Saudi Basic Industries Corp.). It was through this business, when such products were difficult to bring into Japan, that Nagase was able to expand its operations by strengthening its capabilities to a high enough level to dominate the market. “You can get it only from Nagase.” was how people thought of the Company back then.

However, everything changed around the mid 1980s. Japanese chemical makers began making products that were equivalent to those imported from overseas companies, and the number of subsidiaries set up in Japan by foreign firms increased. As a result, users in Japan could choose from a growing number of raw material suppliers, and the leading position we had built up over the years began to slide.

In the midst of this trend, I had been put in charge of the Planning Department in 1997, and after examining sales forecasts for a few years to come, it became obvious that the Group’s sales were heading for negative growth. In particular, operating income at the domestic level had noticeably stalled. As we faced the prospect of going into the red, we looked back and realized that we had not been able to create any businesses besides the distributor business, which was losing ground in the market. This brought to light the need to channel the Company’s strengths into a new growth strategy.



“Through the success of the WIT plan, Nagase transformed its business structure from that of a long-established intermediary business to a “technology and intelligence-oriented trading company” with R&D, manufacturing, and processing functions.”

### Priority Issues of the WIT Medium-Term Management Plan (FY2000 to FY2008)

Transformation of the business structure	Moved from an intermediary-type import distributor business to a “technology and intelligence-oriented trading company” with R&D, manufacturing, and processing functions
Expansion of the Asian business	Expanded of the scale and volume of business in the greater China and ASEAN regions and developed business bases
Shift to consolidated management	Enhanced the Group’s cooperative framework, shifting focus from individual businesses to the Group’s interests as a whole, and responded to changes in accounting systems
Promotion of Investment	Actively invested in businesses in strategic areas



“Under WIT2008, ¥27.7 billion was invested in the strategic areas of electronics, automotive, and life sciences, strengthening the functions that provide the foundation for future growth.”

We identified the following main strengths: 1) an abundance of transactions with excellent clients, who offered potential for development as business partners; 2) a large number of capable employees who could create close relations with clients in the area of technology; 3) the possession of a manufacturing function, gained through the efforts of two generations of Company presidents; and 4) a sound financial position that had been maintained. With these strengths as a foundation, we forcibly went ahead with the WIT plan, making determined efforts to integrate the manufacturing function in order to transform the business structure.

These efforts produced results: the Company increased the proportion of high-value-added manufacturing in its business, and it improved profitability to an exceptional degree. Furthermore, with the expansion and consolidation of the Asia operations, Nagase significantly transformed the quality of its business, harnessing Group synergies through, for example, cooperation between the Chemical and Plastics businesses along the same value chain for the automotive industry. In the area of investment, although the notion that Nagase does not invest was formerly held in and outside the Company, after comprehensive evaluations of the effectiveness of investing in both quantitative and qualitative terms were carried out under the WIT plan, Nagase initiated efforts to transform

management and undertake investment.

#### WIT2008 Achievements

—The targets under WIT2008 (from the fiscal years ended March 31, 2007 to March 31, 2009) were consolidated net sales of ¥770.0 billion and operating income of ¥24.0 billion. Until the onset of the world economic downturn, Nagase had been making steady progress. What do you regard as the main achievements of WIT2008?

Under WIT2008, we had invested ¥27.7 billion in the key areas of electronics, automotive and life sciences, while deepening our business portfolio strategy. Previously, we had invested ¥23.7 billion under WIT21, which covered the fiscal years ended March 31, 2004 to March 31, 2006, and ¥20.2 billion under WIT2000, spanning the fiscal years ended March 31, 2001 to March 31, 2003.

On top of that, as part of our manufacturing and processing strategies, we established the Nagase Application Workshop (NAW) in July 2007 for the purpose of gaining access to makers of finished consumer products. The Company evaluates and researches the functions and effects of materials related to fiber processing, coating materials and plastics at the facility. Furthermore, NAW provides a service base for the Company to

collaborate in original R&D, combining a library function to store product samples with the capacity to propose high-value-added services to customers and clients.

As part of our overseas strategy, we expanded Nagase's manufacturing function through a number of companies, including Nagase Electronics Technology Co., Ltd., which processes the chemical etching of wafer-thin glass for liquid crystal displays; Pac Tech-Packaging Technologies GmbH, which manufactures and sells semiconductor production equipment and provides semiconductor wafer bumping services; Nagase Precision Plastics Shanghai Co., Ltd., which casts molds for plastic trays; and Dainichi Color Vietnam Co., Ltd., which processes plastic coloring.

#### “CHANGE”11

—What are the basic strategies and numerical targets of the new medium-term management plan, “CHANGE” 11?

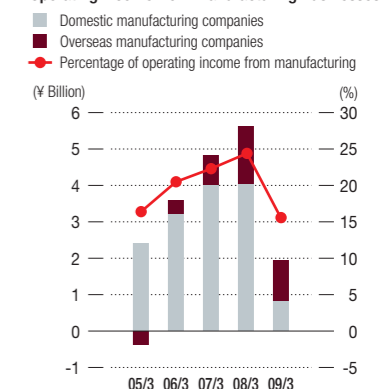
The basic strategy of “CHANGE” 11 is to “Improve quality of business and operations.” This expresses our recognition that we have no choice but to change, in response to the monumental shifts in the operating environment combined with the transformations within the Nagase Group in relation to its expanded scope of operations

resulting from the WIT plan. A particularly important factor behind the changes in the external environment is the demands placed on corporations in determining their value. The approach has shifted in focus, on a global level, from the pursuit of profit to considerations of social contributions and the natural environment. Other major factors include structural shifts in the market brought about by the operation of new petrochemical plants in the Middle East and China, as well as changes in the structure of society to deal with the finite quality of natural resources.

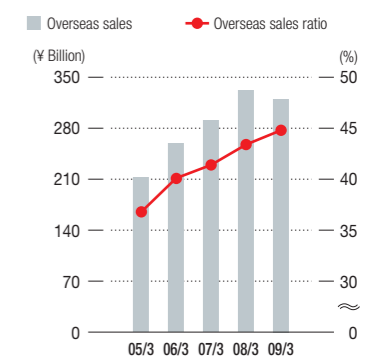
The Group concluded the WIT plan with almost total success. Operating primarily as a trading company for many years, Nagase transformed its business structure, establishing the comprehensive distribution business at the center. In quantitative terms, by the end of the plan (March 31, 2008), manufacturing accounted for 24.4% of operating income, the overseas net sales ratio reached 43.4%, and the ratio of foreign employees was around 40%. Regardless of the indicators used, the WIT plan's strategy to deepen the business portfolio led to a major expansion of Nagase's business scope, although it is true that the Greater China region accounted for a high proportion of this. Continuing this progress, I believe that under the new medium-term management plan we must strengthen the global management structure and the administration structure that upgrades internal

“We formulated “CHANGE” 11 to confront environmental and resource issues and trends in the petrochemical industry in China and the Middle East, as well as to raise the ratio of the Group's overseas business in terms of net sales and manufacturing bases.”

Operating Income from Manufacturing Businesses



Overseas Sales and Sales Ratio



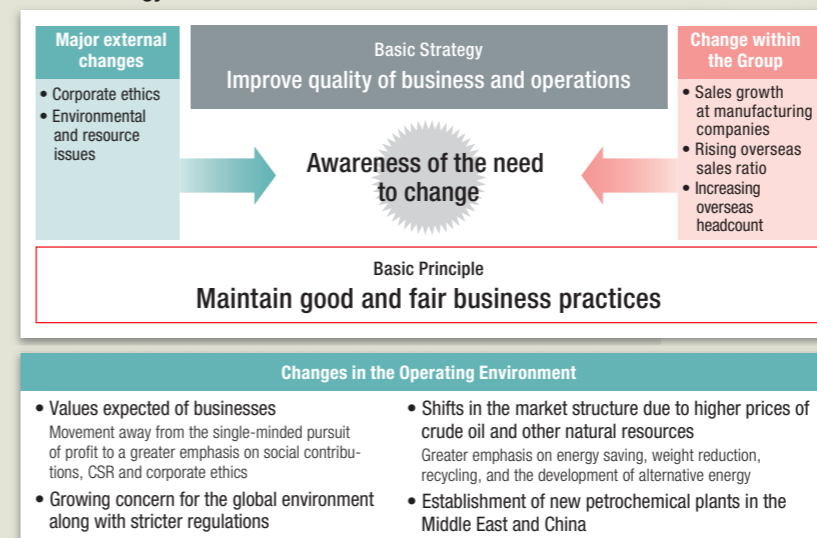
#### Invested Aggressively in Key Areas: ¥27.7 Billion over Three Years

Electronics	Automotive	Life Sciences
<ul style="list-style-type: none"> <li>Made progress in Sharp's "Manufacturing Complex for the 21st Century"</li> <li>Enhanced the manufacturing and processing businesses, including LCD optic film and glass processing, and LCD-related parts processing and assembly in South China and Taiwan</li> <li>Established semiconductor packaging development center at the Kitakyushu Science and Research Park</li> </ul>	<ul style="list-style-type: none"> <li>Established an automotive frame lamination plant in Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>Established a phospholipids production plant at Nagase ChemteX Corp.'s Fukuchiyama Plant</li> <li>Expanded facilities for sterile pharmaceutical products at Nagase Medicals Co., Ltd.</li> </ul>

#### Restructured for High Profitability

Strengthened and expanded innovative technologies	Business selection and concentration
<ul style="list-style-type: none"> <li>Invested in NanoGram Corp., a U.S. nanotechnology-related venture</li> <li>Developed thermoplastic FRP and sheet encapsulant for electronic parts</li> </ul>	<ul style="list-style-type: none"> <li>Terminated sales of portable DVD players</li> <li>Divested the Pluswood business</li> </ul>

#### Basic Strategy of “CHANGE” 11



“Nagase’s chemical recycling plant at Sharp Corporation’s manufacturing complex, along with its production of wind turbine blades, is representative of its environment- and energy-related businesses.”



Nagase’s chemical recycling plant for Sharp’s “Manufacturing Complex for the 21st Century” (Please see page 29 for information on Nagase’s Original Eco-Businesses.)



Wind turbine blades (Please see page 29 for information on Nagase’s Original Eco-Businesses.)

systems, and we must also establish a management foundation for targeting the next stage of growth.

Recognizing the need for change in response to the two points I mentioned earlier, we determined the following six core initiatives for “CHANGE” II: 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; and 6) promote employee diversity and work-life balance. The Company is targeting consolidated net sales of ¥720.0 billion and operating income of ¥15.0 billion by the final fiscal year of the plan, ending March 31, 2012.

— Could you give an example of environment- and energy-related technologies, and also discuss the scale of such businesses you expect to build?

An example that represents Nagase’s environment- and energy-related technologies is its chemical recycling plant located within Sharp’s “Manufacturing Complex for the 21st Century”. With the introduction of the plant, the use of chemicals at the complex can be reduced substantially. If the plant had not been introduced, operations at the complex would be very difficult due to the problems of storing used chemicals and handling shipping costs, as well as the environmental issue of disposing of such chemicals. Therefore, we heeded demands to bring the plant online to contribute to strengthening the competitiveness of the complex, and we are considering expanding this area in the future.

In another project, albeit on a smaller scale, Nagase ChemteX Corp. is manufacturing blades for use at wind turbine plants. Such blades are generally made with fiber-reinforced plastic, which employs conventional polyester resins. However, Nagase ChemteX applied its epoxy technologies cultivated over many years to produce an epoxy resin mold material for the blades with materials mainly brought in from China. Looking ahead, considering the pace of economic growth in China, we expect this wind turbine blade business to grow by two to three times the current scale.

Along with these areas, we are focusing on the pressing fields of “batteries and bio-refining”\* under “CHANGE” II, and we have set a tar-

get of ¥130.0 billion in net sales from environment- and energy-related business.

In April 2009, Nagase established the Environment and Energy Office, with the goal of systematically collecting information on the environment-related market up to now and also on the growing fields of water, food and new energy sources. The division will analyze each of the Group’s businesses for new openings and potential business opportunities in the environment and energy fields.

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

— How will global expansion be carried out regionally?

At present, Nagase’s global expansion could be regarded as overly focused on Asia, but we have no disagreements over the present growth foundation, and we will continue working toward further reinforcing our business in the ASEAN region. Along these lines, we set up the Greater China Management Office (GCMO) in 2007 to promote information sharing among manufacturing companies and risk management. (For details, refer to page 18, Major Strategies by Region, China Business.)

The Regional Business Center (RBC) has also been established with the same role as the GCMO but responsible for the entire ASEAN area. (For details, refer to page 19, Major Strategies by Region, ASEAN Business.)

In the Middle East, Nagase made inroads in the region with the opening of the Dubai Representative Office, in January 2009. This office will handle the supply of resin additives through its involvement with the Rabigh Project, a massive complex that combines an oil refinery and petrochemical plant in the town of Rabigh in the Kingdom of Saudi Arabia. It is operated by Petro-Rabigh, a joint venture of Sumitomo Chemical Co., Ltd. and Saudi Aramco (Saudi Arabian Oil Co.).

Prompted by the lack of the Company’s business growth in recent years in Europe and North America, we will overhaul our business strategies to cover a wider area, including Eastern European countries as well as Mexico and other countries neighboring the United States.

— What measures will you take to improve profitability, and are they limited to the manufacturing function? Also, how do you think the recent trends in the petrochemical industry will turn out?

Nagase’s business model is a specialty chemical trading company, so to maintain a rate of operating income in the double digits will be challenging. However, we will focus not only on reinforcing the manufacturing function, but also on the discovery of new functions, and I would like to aim at being able to consistently maintain this rate at 5%.

Let me introduce an example of new functions. The problems that have appeared in the petrochemical industry so far in 2009 have been talked about for several years, but now products with high cost-performance are being delivered to the market in large volumes, due to newly established petrochemical plants operating in the Middle East and China. This trend is being felt by every petrochemical maker in Japan, leading to plant closures, mergers and production stoppages—temporary countermeasures that point to a restructuring of the industry. It remains to be seen how this will impact downstream materials and manufactured goods, but for these countermeasures, business solution functions are necessary to deal with the issues at hand. Taking a recent and concrete example in the textiles industry, the production of raw materials to make acrylonitrile, such as acrylic fiber and synthetic resins, declined due to the impact of falling demand for finished products. However, in proportion to that decline was a shortage of the raw materials—the same ones used to produce acrylonitrile—to make the co-product acetonitrile. We have been paying close attention to the difficulties in development faced by the R&D divisions of these manufacturers, which require highly pure and uniform chemical compounds.

For exactly these kinds of business solutions, we intend to provide the major function of meeting market needs, from upstream to downstream, assuring customers that “it’s possible because it’s Nagase.”

— What in your view are the risks involved with manufactured goods and imported products?

Because importers are liable for all products they

handle, products manufactured within the Group are essentially no different from imported goods, so therefore, we recognize that the risks associated with product quality are particularly high. Even selling products from domestic manufacturers can be similar in this respect. For example, when handling products from small-scale manufacturers, there are many cases in which Nagase must adopt practically the same product liability as manufacturers.

In order to deal with such risks, Nagase is reinforcing its quality control and guarantee systems. (For details, refer to page 26, Risk Management and Compliance.)

### Shareholder Returns

— What is the investment plan and dividend policy under “CHANGE” II?

We believe that our most important responsibility to our various stakeholders is to achieve steady growth over the long term. To cultivate a foundation for future businesses, we regard investment in operations, including manufacturing facilities, as the highest priority issue for management at this time. Accordingly, we plan to invest ¥30.0 billion over the three years of “CHANGE” II, with ¥20.0 billion designated for environment- and energy-related areas, such as batteries and solar power, and ¥10.0 billion for maintaining existing facilities. When making final investment decisions, we consider a wide range of investment criteria, including estimates based on discounted cash flow methods and synergy effects included in related transactions, as well as the potential for new business opportunities.

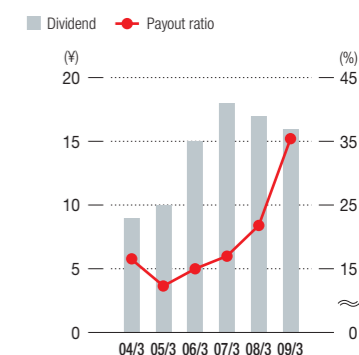
Nagase’s dividend policy reflects our stance of returning profits to shareholders in a stable manner, in line with consolidated performance results. For the fiscal year ended March 31, 2009, the Company had planned to pay a year-end dividend of ¥20 per share. However, owing to the impact of the global economic downturn, as discussed earlier, the year-end dividend has been revised to ¥16. For the fiscal year ending March 31, 2010, the year-end dividend has been forecast at ¥14.

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



“Focusing on investment to strengthen functions and stabilize dividend returns, we aim to raise the level of satisfaction of every kind of stakeholder while pursuing continuous growth.”

Cash Dividends per Share



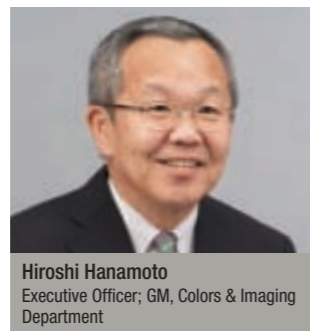
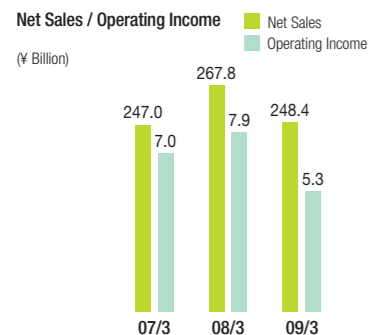
# Nagase Group at a Glance

Segment	Departments	Department Overview	Customer Segments (by business scale)	Main Products & Services	Performance/Market Overview (March 31, 2009)
<b>Chemicals</b> 	<ul style="list-style-type: none"> <li>• <b>Colors &amp; Imaging Department</b></li> </ul>	Whether analog or digital, data that exists anywhere in the world functions as information only when it is made available to people. The Colors & Imaging Department is mainly involved in the handling of essential chemicals that are the functional materials that connect information and people. This department contributes to society in a wide range of fields.	Coloring, pigment dispersion, printing and printing materials, textile processing, information printing and functional film painting industries	Dyes, dyestuffs, functional color pigments (displays, related chemicals for imaging and recording), UV cured resins, functional resins, additives, print processing, fiber processing agents	The first half of the fiscal year saw healthy growth in the domestic market. However, in the second half, the impact of the worldwide economic deceleration, particularly in the digital equipment and automotive markets caused full-year sales and operating income to both decline somewhat compared with the previous fiscal year. In overseas markets, because the impact of the worldwide economic slump was delayed and sales of game console related products remained strong, the department's overall performance was on par with that of fiscal 2007.
	<ul style="list-style-type: none"> <li>• <b>Performance Chemicals Department</b></li> </ul>	Providing a broad range of items, from naphtha-derived petrochemical products to high-value added products, this department enhances Nagase's core function by further strengthening its business base. The department's four core businesses are coating materials, urethane, plastic raw materials and filters, with each business recognized by the market as a leader in its field. In addition, in response to the globalization of customers, the department strives, with a global perspective, to offer products and services that can provide the functions that the market demands.	Paint and ink, resins, synthetic fiber, urethane foam and film	Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, flame retardants, plastic additives and polymer filters	Continuing on from fiscal 2007, the rise in petrochemical products prices, owing to tight demand and the soaring costs of crude oil and naphtha, resulted in healthy income and sales until October 2008. From the following November, however, the department was buffeted by declining prices for petrochemical products, inventory adjustments and a lower capacity utilization ratio on account of the deepening deceleration in the world economy. As a result, full-year sales and income both fell short of initial plans.
	<ul style="list-style-type: none"> <li>• <b>Speciality Chemicals Department</b></li> </ul>	The Speciality Chemicals Department supplies products with applications in a range of areas, including industrial oil solutions, plating chemicals, (surfactants used in) personal care, consumer goods (cosmetics and other household toiletries), water processing agents, photoresist developer, fluoro-chemicals, silicones; and other intermediates and raw materials for surfactants and organic synthesis. In addition, from April 2008, the department added the Speciality No.3 Department to supply the raw materials for semiconductors and batteries, and is expanding its business base in the field of electronics. Moving forward, by leveraging its accumulated knowledge of chemicals, the department will concentrate its efforts to supply raw materials to the electronics and other cutting-edge fields.	Organic synthesis, surfactants, semiconductors and batteries	Petrochemical products, raw materials for industrial oil solutions, surfactants and surfactant raw materials, fluoro-chemicals, raw materials for encapsulents, plating chemicals and silicones, electronics chemicals, Nagase ChemteX Corp. products and personal care products	In the first half of the fiscal year, the automotive, semiconductor and liquid crystal fields experienced healthy sales, and raw materials for industrial oil solutions, plating, photoresist developer and other materials experienced growth that met expectations. In the latter half of the fiscal year, however, the severe impact of the worldwide economic slump resulted in full-year targets left unachieved. Because the personal care products field was comparatively unscathed, as well as owing to the acquisition of new business, overall department results were relatively strong.
<b>Plastics</b> 	<ul style="list-style-type: none"> <li>• <b>Advanced Polymers Department</b></li> </ul>	The Advanced Polymers Department offers plastics and plastic processed goods, related auxiliaries, equipment and facilities for industries such as the office automation, electric and electronics, and appliance industries. The department promotes strategic partnerships with other companies in the Nagase Group in order to focus on the creation of new plastics-related businesses and business expansion that extends over both domestic and overseas markets.	Office automation equipment, electrical, electronics, consumer electronics	Functional resins, general-purpose resins, auxiliaries, plastic products, plastic-related equipment, devices and dies	Overseas, as a result of increased production by Japanese makers of office automation equipment, consumer electronics and electronics, sales grew in the ASEAN region, chiefly in Vietnam but also in the Hong Kong and Shanghai regions. However, planned targets for fiscal 2008 were not reached due to the impact of the intensifying worldwide economic slowdown.
	<ul style="list-style-type: none"> <li>• <b>Automotive Solutions Department</b></li> </ul>	The Automotive Solutions Department offers comprehensive business solutions in the automotive area. In addition to handling everything from sales of raw materials, products and equipment to component design, the development of prototypes and the production of dies, the department also acts as a purchasing agent for its customers' domestic and overseas facilities. The department will further develop globally and explore new technologies related to electric vehicles and other eco-friendly vehicles.	Automotive	General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dyes, software engineering and electronics components	In the first half of the fiscal year, the automotive industry both in Japan and overseas thrived, with trends in each region showing increased sales and income. In the latter half of the fiscal year, performance deteriorated rapidly, buffeted from late 2008 by the intensifying impact of worldwide economic decline. Particularly with regard to Japan, Europe and the United States, results made an about-turn, reaching not even 50% of the previous fiscal year. The time needed to see a market recovery is expected to be measured in years. Given this, an important theme will be to build a business geared toward the suddenly high-profile eco-friendly vehicles.
	<ul style="list-style-type: none"> <li>• <b>Polymer Products Department</b></li> </ul>	From April 2009, the newly named Polymer Products Department has been transforming its business into the development and marketing of unique products, anchored mainly by functional films and sheets and plastic molding products. Examples include the development of SunMorfee V, a bromine-less flame retardant insulating sheet marketed globally in alliance with cooperating makers, and a plastic component for LED lighting. These are emblematic of the department's aims to create a highly distinctive business. In addition, the department is concentrating its efforts on developing applications for TritanTM, a new copolyester from the Eastman Chemical Company, and expanding sales of Nagase's proprietary surface inspection system Scantec as well as protective films used in the manufacture of functional film sheets.	Electronics, toiletries and general merchandise and functional films and sheet	Functional films and sheet, copolyester plastics, inspection machines and plastic molding products	In fiscal 2008, housing, building materials and amusement sectors stagnated from the beginning of the fiscal year. Exacerbating the situation was the impact of the increasingly severe economic slowdown, which resulted in declines in both sales and earnings.
<b>Electronics</b> 	<ul style="list-style-type: none"> <li>• <b>Electronic Chemicals Department</b></li> </ul>	Electronic Chemicals Department sells materials—formulated epoxy resins and high-grade chemicals—manufactured by the Nagase Group, as well as the equipment and control systems used for their manufacturing processes, to the semiconductor, liquid crystal, electronic component and automotive industries. The department was quick to tackle environmental issues, and aggressively works at reduction of resource consumption and recycling solutions. Overseas, with operations in China, Taiwan, Korea and Singapore, the department is aggressively expanding overseas business with the aim of creating highly profitable businesses that integrate trading company and manufacturing capabilities.	Liquid crystal, semiconductors, electronics components, heavy electric machinery, automotive and others	Formulated epoxy resins and related products, chemicals for the production of semiconductors and liquid crystals, chemical management equipment for liquid crystal preprocessing and bump molding services through nonelectrolytic plating	In the first half of fiscal 2008, healthy results were seen for the businesses of formulated epoxy resins, liquid crystals and chemicals (used for pre-processing of semiconductor manufacturing). From November, however, the automotive and electronics industries began to falter at a quickening pace, the impact of which caused an abrupt deterioration in sales and both revenues and income decreased.
	<ul style="list-style-type: none"> <li>• <b>Electronic Materials Department</b></li> </ul>	The Electronic Materials Department uses its network in Japan and overseas to handle the sale of optical films and other materials used in liquid crystal displays, semiconductor wafer- and HDD-related materials, as well as materials for solar batteries, an area expected to attain high growth. In addition to a traditional trading function, the department is aggressively developing overseas optical film and glass processing, LED and associated assemblies, and other new businesses.	Displays, touch panels, semiconductor wafers, solar batteries and amusement	Liquid crystal displays (LCDs) and materials for organic light-emitting diodes (LED) and optical film, processed glass products, precision abrasive materials, solar battery-related materials, diagnostic agents, LEDs and their mounting products	Despite the abrupt economic deterioration, the display and touch panel-related business (formerly the Display & Electronics Components Department) expanded on the back of new products, with slightly higher sales. This was in contrast to semiconductor wafer- and hard disc-related businesses (formerly handled by the Electronic Media Division) that were impacted by the worldwide economic slump, recording decreased in both sales and income.
<b>Life Sciences</b> 	<ul style="list-style-type: none"> <li>• <b>Fine Chemicals Department</b></li> </ul>	The Fine Chemicals Department provides a broad range of products and services related to healthcare, food and habitat, such as pharmaceuticals, biotechnology solutions, agricultural chemicals and living environments, in the field of life sciences, which is a key strategic area throughout the Company. Particular efforts are devoted to developing high-value-added products that apply comprehensive Group strengths in trading, R&D and manufacturing.	Pharmaceuticals, in vitro diagnostics, household products, food/feed chemicals and agricultural chemicals	Pharmaceuticals (APIs, intermediates, raw materials, formulations, excipients), in vitro diagnostics (bulks, instruments & kits), hard disk-related materials, research products, medical equipment, agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (bulks, formulations), animal health products, enzymes, fermentation products, household goods (raw materials, products), functional food ingredients, health food materials, food additives, nutritional supplements, feed, and feed additives	The first half of the fiscal year got off to a relatively good start compared with typical trends. In the latter half, however, the department could not avoid the economic slump and, together with the major impact of the appreciating yen, was faced with exceptionally challenging developments. In the Bio Products Division, mainstay products were unable to achieve planned goals which caused sales to fall from the previous year, although the contribution of highly profitable newly developed products meant income targets were achieved. In the Organic Fine Chemicals Department, the domestic pharmaceutical business for the most part met both sales and income objectives, while strong exports to the United States meant the diagnostic agents business achieved its sales and income goals. Overall, sales edged down slightly while operating income met its targets.
	<ul style="list-style-type: none"> <li>• <b>Beauty Care Products Department</b></li> </ul>	The Beauty Care Products Department manufactures and sells cosmetics, health foods and beauty foods for the consumer market. Its philosophy is to contribute to the creation of a beautiful, healthy and prosperous society by providing safe, high-quality products and services that enhance beauty inside and out. At the Nagase R&D Center in Kobe, many years of proprietary research has produced such patents as that for a rosemary ingredient that is top-rated both in Japan and overseas. In addition, sales development is primarily undertaken by a team of 40,000 sales personnel who sell door-to-door throughout Japan. The department also operates beauty salons across the country as bases for sales visits. These salons offer enhanced counseling services and facial services using state-of-the-art skin analyzers.	General consumer market	Cosmetics (including skin care counseling and facial care service) and health foods	The business environment in fiscal 2008 was extremely harsh, with the markets for domestic cosmetics and health foods edging down slightly and continued trends toward contraction in the door-to-door sales market. Although there was comparatively healthy demand in the first half of the fiscal year, because the introduction of large-sized new products could not exert any upward pressure on performance, sales and income declined.

Notes: 1) With regard to the Information & Functional Materials Department previously included in Electronics, from April 2009, to achieve a greater level of synergy, each business in that department was transferred to the following three departments: Speciality Chemicals in the Chemicals Segment; Automotive Solutions and Eco-Materials & Products in the Plastics Segment; and Display & Electronics Components in the Electronics Segment. The Information & Functional Materials Department was then eliminated. In accordance with the transfer to these departments, the Display & Electronics Components and the Eco-Materials & Products departments changed their names to the Electronic Materials and Polymer Products departments, respectively. With regard to the composition of net sales and operating income in each business, the figure prior to the organizational change is used.

2) Segment shares of net sales and operating income do not total 100% due to the exclusion of the Others segment.

Chemicals



Colors & Imaging Department

Fiscal 2008 Strategies and Results

During the fiscal year under review, we focused on the following three objectives: creating a business model that builds on the Nagase Group's competitive advantages; promoting a business model in which additives determine the principal materials; and shifting to a business structure that allows us to respond to any change in the external business environment. In the Nagase Application Workshop (NAW) commenced in 2007, our proprietary service for the coating, plastic molding, printing, fiber processing and other industries gained acclaim from our customers.

In the fiber processing business, we established ON Co-Labo Corporation jointly with OG CORPORATION amid a notable trend of "planning should be conducted in Japan, and manufacture and quality assurance should be handled overseas" in the apparel industry. The Colors & Imaging Department is therefore providing functional materials as well as material procurement and quality control functions.

Furthermore, in the functional additive industry, our distributor functions were well recognized by the market following mergers and acquisitions by overseas manufacturers, and we have increased the number of products that consolidate this function at Nagase.

TOPICS

The game console-related materials business remained healthy in the overseas market.



Strategic Initiatives in Fiscal 2009

In consideration of this department's main business of handling functional materials for mature industries, we will continue to focus on the expansion of business fields, the reinforcement of alliances with strategic partners, and response to environmental changes. Particularly in the midst of the economic crisis that started in the second half of 2008, other companies in this industry are expected to accelerate such measures as M&A and business tie-ups. Given this situation, the Colors & Imaging Department will proactively take part in such actions.

Furthermore, we will expediate our initiatives in overseas production and introduction of import goods with the aim of improving quality control function.

Performance Chemicals Department

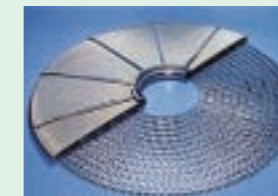
Fiscal 2008 Strategies and Results

During fiscal 2008, we conducted business operations under the three major policies of reinforcement of manufacturing functions, strengthening of overseas business development and activities to enhance Nagase's presence in the industry. In the filter business, we introduced new products and offered better services by strengthening the manufacturing control structure with increased personnel and aggressive investments. In the chemical business, we are proactively participating in overseas markets. For example, we entered into a new contract for the plastic additive business in the booming Middle Eastern area, while establishing a local sales infrastructure by increasing personnel in the local representative office and bolstering the logistic function development. We also started a manufacturing company business in Indonesia for urethane products used in automotive interiors. Furthermore, during the fiscal year under review, we strived to enhance the sale of packaged products in each business, while taking a lead over our customers in terms of the response to the new Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) as well as export control regulations enacted in the European Union.

TOPICS

**1** In the coating material business, we launched a task force called "Global Coating Team" (GCT) with the aim of further reinforcing businesses with international companies that are developing a global manufacturing network. As part of its activities, we dispatched GCT staff to the Group's overseas offices to provide services with quality equivalent to that offered in Japan.

**2** In the coating material and plastic raw material businesses, we introduced a film-forming tester. This enabled us to conduct various types of film forming tests in house and resulted in high acclaim from customers and new orders.



Strategic Initiatives in Fiscal 2009

Centered on domestic businesses, the Performance Chemicals Department will aim to become a department that can offer the capabilities with which Nagase's four businesses can exercise the functions required in the global market. In particular, we will strive to improve the quality of packaged products and conduct the selection and concentration of businesses. Together with this, we will focus on the environment and energy-related businesses and aim to consolidate a foundation in the chemical business for solar cells, secondary batteries and other products for the use of blocking and heat resistant materials based on our research on downstream market trends. In the filter business, we will leverage the NAW to establish new businesses by aggressively developing applications for paints and plastic additives. In terms of globalization initiatives, we will further expand businesses in the Middle Eastern area that started out with plastic additives. In the urethane industry, we will increase overseas production bases. Furthermore, we will make every effort to implement specific measures to offer solutions to markets based on our understanding and prediction of structural changes in the petrochemical industry.

Speciality Chemicals Department

Fiscal 2008 Strategies and Results

We promoted the department's basic strategies under WIT2008 of advancing our three core businesses of surfactants, organic synthesis and Nagase ChemteX, and promoting development of the four project areas of electronics, China, cosmetics and process chemicals. In our core businesses, we received new inquiries and development projects, owing to our ongoing efforts to offer a thorough follow-up to major customers. In project development activities, newly developed themes are gradually bearing fruit. Particularly, Nagase's unique analysis capability in China earned high ratings from customers and increased product imports from China.

TOPICS

Wet NOx Elimination and Nitric Acid Recovery Device—the MKN System

Nagase is concentrating its efforts at promoting the MKN System as one element of its environmental business. Using only water, the MKN System can eliminate nitrogen oxide (NOx)—the source of air pollution and a non-water-soluble compound—and recover it in the form of nitric acid. Technology is now available that eliminates NOx by using a special filter with just water. Moreover, among the reasons why the MKN System receives such high praise is that chemical agents needed for processing are not required and the nitric acid that is recovered can be reused. Nagase is also making inroads in research by applying this technology for the elimination of nitrogen in wastewater.



Strategic Initiatives in Fiscal 2009

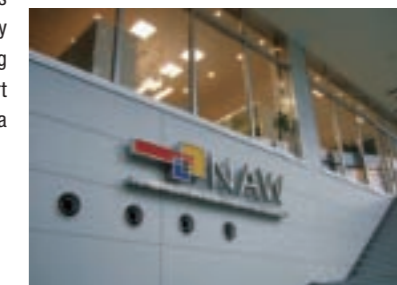
With both marketing and production functions, the Speciality Chemicals Department set a goal of continuously growing through its high-value-added chemicals.

We will strive for organic integration with the Speciality No.3 Department, which was transferred from the electronic business in fiscal 2009, while further cooperating with other departments to leverage diverse information from upstream to downstream to solve customers' problems. For global business development, we will upgrade the NCC Shanghai Techno Center Co., Ltd., which is highly rated by customers, and focus on the cultivation of makers with unique technologies and products, mainly in the United States and Europe.

Although fiscal 2009 prospects still remain unclear, we will make every effort to focus on business development in collaboration with Nagase ChemteX through thorough customer-oriented operations, promotion of the environment and energy-related businesses, and the expansion of fluorochemicals sales. By doing so, we aim to nurture these operations as our future core businesses.

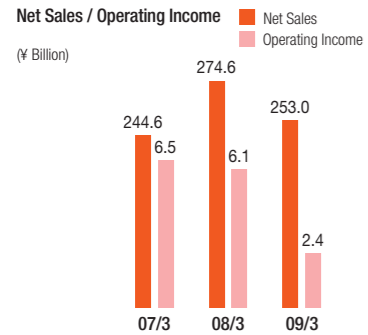
NAW (Nagase Application Workshop)

NAW is a facility that integrates experiments encompassing function and efficacy evaluation and the study of materials and additives related to plastics, coating materials and fiber processing; data analysis; and application development, jointly with customers. In the course of adding R&D, manufacturing and processing functions to our conventional base as a trading company, we were able to develop NAW as a consequence. Therefore, NAW serves as Nagase's proprietary function in offering technological support despite our status as a trading company.





# Plastics



## Advanced Polymers Department Fiscal 2008 Strategies and Results

During the fiscal year under review, we focused on expanding our business foundation, applying resources to critical fields and improving our structure for high profitability. To expand our business foundation on a consolidated basis, we strengthened the sales structure of engineering plastics at overseas bases and Group companies, as well as reinforcing the strategic alliance with the office automation industry. In the domestic market, we specified targets through closer contact with makers.

In applying resources to critical fields, we made definitive efforts in strategic regions. In Nagase's strategic region of South China, we plan to establish a representative office in Guangzhou for our joint venture, Nagase Wahlee Plastics Corp. Together with this, we will collaborate with Nagase (Hong Kong) Ltd. and Guangzhou Nagase Trading Ltd. for further growth. In Vietnam, another strategic area, we completed a plastics compound factory through a joint venture, upgraded the Hanoi office to a subsidiary and reinforced personnel there. As a result, we succeeded in acquiring new businesses from local Japanese companies. With regard to improving our structure for high profitability, we pro-

moted collaboration between our Group manufacturing company Setsunan Kasei Co., Ltd. and NAW to facilitate environment-friendly businesses including recycling and polylactic resin. Other departments also commenced collaborative business operations with office automation makers. Furthermore, we are planning to transfer a Kansai factory of Setsunan Kasei with the aim of becoming a compounding plant that meets customer needs more accurately.

### Strategic Initiatives in Fiscal 2009

We will aim to become a business entity that optimally integrates development, manufacturing and sales functions based on two cores that include the plastic Buy-Sell business development in Asia and Setsunan Kasei's Make-Sell business. Specifically, we will conduct business operations in accordance with two policies: First, in the Greater China region, we will further reinforce collaboration with local subsidiaries and joint ventures to focus on businesses in South China, while developing businesses by leveraging Dainichi Color Vietnam Co., Ltd., Nagase's production base in the ASEAN region. Second, we will strive to develop the eco-business and the super-engineering plastics business through collaboration with Setsunan Kasei and NAW. To that end, we will implement the plan to transfer Setsunan Kasei's Kansai factory, and with this company we will work to aggressively develop products that have environmental and energy-related market potential.

## Automotive Solutions Department Fiscal 2008 Strategies and Results

We focused on the development of new themes and, as a result, we added lightweight materials as well as new materials for lamps to our scope of business. During the fiscal year under review, we examined the possibility of launching the resin products manufacturing business in the United States. Against the backdrop of the deteriorated global economic situation, however, we decided to carry the final decision over to fiscal 2009.

### TOPICS

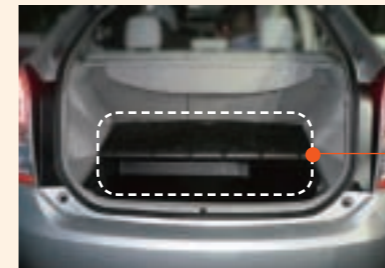


Dainichi Color Vietnam Co., Ltd. handles the coloring and compounding of resin materials



Expanding manufacturing and sales network in China

### TOPICS



Lightweight board used for the automobile trunk



"Deck Board," the Nagase Group's resin product for automobiles

In the car electronics-related business, we took initiatives in the commercialization and sales expansion of components and products, while collecting market and technological information. As a result, we were able to start considering specific themes in the promising battery-related field.

### Strategic Initiatives in Fiscal 2009

The Automotive Solutions Department is striving to maintain and expand its core resin sales business, while focusing on unique business in the 3E (ECOLOGY, ELECTRONICS, ENERGY) field such as resin substitutes for glass and biodegradable plastics. Furthermore, we will aim to launch businesses for electronics-related products such as auxiliary power supply components.

## Polymer Products Department Fiscal 2008 Strategies and Results

In the functional film sheet business, we focused on sales promotion activities for SunMorfee V in fiscal 2008. As a result, we recorded increased sales, mainly for use in LCD TVs. In the housing and building materials industry, we carefully reviewed our sales capability and the market potential and decided to narrow down our business in stages and handle plastic components for the non-housing fields instead. We also decided to withdraw from the resin component business for the amusement industry and concentrate our resources on the functional films and sheets business.

### Strategic Initiatives in Fiscal 2009

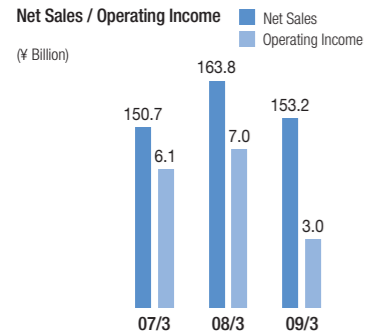
In fiscal 2009, we will first aim to commercialize functional films and sheets as well as plastic molding products in conjunction with Nagase's affiliated companies. Together with this, we will commence global marketing activities for electronic materials in collaboration with other departments. Furthermore, we will strive to establish a framework to accumulate technologies and technical information that can differentiate the Nagase Group from others in the industry.

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

### TOPICS

- Product Name : Tritan™ copolyester
- Application : Housewares, sports bottles and other applications, including film, that are now being developed
- Maker : Eastman Chemical Company
- Features : A new polyester, Tritan does not contain bisphenol and can withstand temperatures of over 100°C. Tritan has a better chemical resistance compared to polycarbonate, but with an equivalent level of impact strength. Its high transparency and unique texture of relative softness gives Tritan the feel of luxury. Tritan has received U.S. Food and Drug Administration (FDA) approval for safety.

## Electronics



### Electronic Chemicals Department

#### Fiscal 2008 Strategies and Results

We completed a plant for the electronic chemicals business within the premises of Sharp's "Manufacturing Complex for the 21st Century" and commenced test supply operations. In the environment-related business, we are recording steady results in the new application of epoxy resins such as HEV vehicle components, insulating materials for solar batteries and materials and molding materials for wind power generation turbine blades.

#### Strategic Initiatives in Fiscal 2009

The Electronic Chemicals Department aims to establish a new business model as a trading company that has a maker's capabilities such as technologies and manufacturing capabilities for chemicals, resins and junctions. Specifically, we will create new strength in the chemicals business by stabilizing on-site business. We will also aim to secure production bases for the NCX epoxy business in Japan, the United States, Europe and Asia. Furthermore, we will strive to offer new solutions in the semiconductor industry by integrating NCX elemental technologies such as nonelectrolytic plating, modified epoxy and photosensitive materials.



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



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

### Electronic Materials Department

#### Fiscal 2008 Strategies and Results

Within the Electronic Materials Department, the former Display & Electronics Components Department strived to reinforce domestic sales of optical films and touch panel modules to customers outside the Nagase Group, while enhancing the production and processing business. In China, Nagase International Electronics Ltd. launched the resin molding and assembling business. Against this backdrop, Nagase established an incoming inspection system in the domestic Group network to minimize risks.

The former Electronic Media Department made efforts through its core businesses to offer products and services meeting customer needs. Together with this, we focused on the sale of crystal-type solar battery materials and the establishment of the processing business.

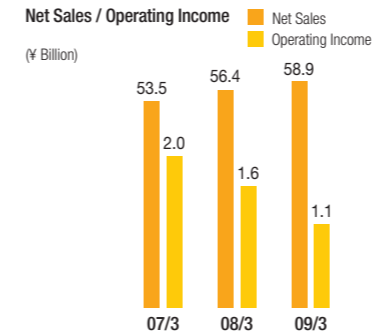


Nagase International Electronics Ltd. to administer all production bases in the Southern China area

#### Strategic Initiatives in Fiscal 2009

In fiscal 2009, we will make every effort to promptly anticipate changes in the market structure and environment in our core businesses of displays, touch panels, semiconductor wafers and HDDs. Based on this, we will offer our unique solution services, including production and processing capabilities, in pursuit of mutual development with customers. Furthermore, we will promote the environment-friendly energy-related business in meeting current social needs, including solar batteries and LEDs, to contribute to society and the global environment.

## Life Sciences



### Fine Chemicals Department

#### Fiscal 2008 Strategies and Results

In order to implement the selection and concentration of businesses, we started reviewing businesses in the first half of fiscal 2008 and consolidated them into three businesses. In addition, we restructured the department and transferred the resources acquired from the restructuring to development projects, including biotechnology-based medicine, drug discovery, unnatural amino acids and NCX enzymes. Furthermore, we decided to make capital investments in a manufacturing company in India for the purpose of reinforcing the Nagase Group's manufacturing capabilities and personnel.

#### TOPICS

In North America, Southeast Asia and Australia, we promoted the marketing and sales activities of the OC series immunological fecal occult blood-testing reagent and equipment (domestic market share of over 50%) made by Eiken Chemical Co., Ltd.\* On top of sales expansion promotion activities, we will strive to contribute to the development of medical treatment worldwide through a campaign for government and medical authorities to raise awareness of the importance in the early detection of colon cancer by fecal occult blood screening.



\* Eiken Chemical Co., Ltd. is a general maker of clinical diagnostic agents to help the early detection and prevention of diseases.

#### Strategic Initiatives in Fiscal 2009

In fiscal 2009, we will place emphasis on the establishment of overseas production bases to reinforce the Group's collective strength in securing a leading position in the life science industry. In order to do so, we will implement our six major policies, while addressing the integration and restructuring of industries that is taking place on a global scale. Furthermore, we will make aggressive investments, including capital investment, M&A and technology imports to strengthen the life science business, one of Nagase's strategic fields.

### Beauty Care Products Department

#### Fiscal 2008 Strategies and Results

During the fiscal year under review, we focused on the training of sales managers (distributors), product development in collaboration with other departments and review of overseas market development potential. Although the number of sales managers edged up from the previous fiscal year, it did not reach our goal of 700. Sales of the new Belmash R, developed jointly with Nagase Medicals Co., Ltd., increased 32% year on year owing to a winter sales campaign. However, overall sales in the department edged down, reflecting the economic recession. The new oral care product ORACONTI developed in collaboration with the Speciality Chemicals Department was launched in May 2009. During fiscal 2008, Nagase and Shanghai Nagase Trading Co., Ltd. jointly examined the potential of cosmetic sales in China.

#### TOPICS

In December 2008, we released the Belmash R health food product that incorporates the blending of a new "rosemary extract CA" produced by Nagase's proprietary extracting technology.\*

■ Belmash R 45g (1.5g × 30 sachets)  
¥8,500 (including tax)



\* Nagase Beauty Care Co., Ltd. discovered from its longstanding study of rosemary that its main ingredient, carnosic acid ("rosemary extract CA"), can slow down the aging process.

#### Strategic Initiatives in Fiscal 2009

With the aim of implementing door-to-door sales as one of the most enjoyable and rewarding business methods in Japan, we will engage in sales activities based on the following three policies: creation of a comfortable workplace, nurturing the next-generation staff, and building a network of coworkers. Leveraging Nagase's proprietary materials, such as rosemary, we will promote product development based on known efficacies of ingredients and elicit the latent strength of the human being, namely homeostasis. By doing so, we will contribute to people's beauty and to health care.

## Major Strategies by Region



Osamu Kitaguchi  
Executive Officer, CEO, China

### China Business

Nagase's operations in China consist of eight sales companies, seven branches and offices, 14 manufacturing companies and five service companies, with approximately 650 Group employees at sales and service companies and 1,800 at manufacturing companies. Business expansion is centered on chemicals, plastics and electronics. We are aiming to expand information, service and distribution networks from coastal China to inland China.

#### ■ Fiscal 2008 Strategies and Results

In fiscal 2008, despite being impacted by changing worldwide economic conditions, business performance increased significantly owing to such factors as the healthy growth (over 30%) of local Chinese subsidiaries, breakthroughs made by local manufacturing subsidiaries and the overall growth of local businesses. However, net sales remained almost unchanged compared with the previous fiscal year, dipping 0.2% to ¥188.0 billion, due to high yen rates.

Starting from Taiwan and Hong Kong, Nagase's Greater China business has been gradually expanded northwards to inland China. On the back of overall economic development in China, we have focused on the establishment and expansion of business bases inland. As a result, the market share in the Greater China area topped 40% in fiscal 2008. Sales in the eastern China area grew in particular, owing to the collaboration between the sales and manufacturing subsidiaries.

Thanks to the local subsidiaries of Nagase ChemteX Corp and Nagase Colors & Chemicals Co., Ltd. as well as to the processing and assembling bases operated by the Plastics and Electronics departments, the profit contribution rate of major manufacturing companies exceeded 10% in fiscal 2008.

One of the key roles of Nagase's overseas subsidiaries is to follow up on the overseas transfer of business on the back of Japanese companies' production activities overseas. In addition to this, during the fiscal year under review, we also focused on the expansion of the so-called "local specs in business," a style of business based on the way of carrying out local business operations at local subsidiaries. Furthermore, the local staff's aggressive marketing activities to electronic and chemical makers in Taiwan and Hong Kong as well as frequent contact with environment-related makers in China brought healthy results in the high-performance film and natural energy-related businesses. Particularly wind power generation and LED lighting showed notable advances.

#### ■ Strategies in Fiscal 2009

With the slogan of "One area, one goal and original business created by knowledge and enthusiasm," we are aiming to expand the dimensions of our original business introduced in China through the collaboration of people from China, Hong Kong, Taiwan, Japan and other areas. Focusing on the Chinese market, with its high growth potential, we will promote business development by making maximum use of the environmental and production-related technologies of Japan, the business development capabilities of Taiwan, and the financing functions of Hong Kong.

In addition to the core automobile, electronics and life science businesses, we will focus on environment-related fields encompassing solar power, wind

power and LED lighting to expand our business structure from a mere agency-type to one providing multiple services with manufacturing capabilities. In order to do so, we will proactively seek possibilities for new investments in promising areas, while leveraging the capabilities of Group manufacturing companies. Simultaneously, we will promote industrial-academic themes in cooperation with Tsinghua University and Fudan University.

In fiscal 2009, we will place the highest priority on risk management and offer training to local officer candidates through educational courses at the headquarters and local office programs. Together with this, we will strive to reinforce business foundations through the strengthening of bases in Northern China where full-scale market development is expected.

#### TOPICS

In 2002, Nagase Colors & Chemicals Co., Ltd. established Shanghai Techno Center (STC) as a local support base for textile dyeing. Now STC offers not only a variety of dyestuffs testing but also assessment and analysis of chemical raw materials and chemicals upon the request of each Nagase department. Such services include assessment and analysis of China-made chemical raw materials to be exported to Japan; chemical materials properties testing before shipment; and quality inspection of imported goods upon the request of Chinese customers. With over 30 highly capable technical staff, we had over 2,000 orders in fiscal 2008. These services add high functional value to our activities as a special chemical trading company, significantly contributing to the Group's growth in the chemical business.



Masao Hidaka  
Executive Officer, CEO, ASEAN Region/  
India

### ASEAN Business

The ASEAN business consists of eight sales companies, nine branches and offices, nine manufacturing companies and one service company in eight countries. In addition to the traditional plastics business, the strengths we utilize in promoting business development in the chemicals, electronics and medical fields include: 1) the ability to conclude business locally, backed by the broad Group network; 2) the presence of subsidiaries in each country, which allows them to determine needs directly from customers and link them to new businesses; and 3) deep ties with customers built up over many years.

#### ■ Fiscal 2008 Strategies and Results

In the first half of fiscal 2008, sales were healthy on the back of steady demand. However, ASEAN countries were significantly impacted by the global economic downturn due to its dependence on the export of such items as automobiles, consumer electronics and electronic appliances, and this change offset the growth in the first half of the fiscal year under review. In addition, foreign currency exchange fluctuations had a significant affect on performance. As a result, net sales in fiscal 2008 declined 9.6% year on year to ¥89.5 billion.

#### ■ Strategies in Fiscal 2009

Based on the plan of ASEAN Nagase Co., Ltd. (tentative name), equipped with a headquarters function 10 years from now, we will aim to expand manufacturing bases mainly for the resins business. Together with this, we will strive to expand other businesses fields such as electronic appliances, chemicals and life science. Needless to say, we will conduct business operations with a view to environmental businesses and focus on solar batteries, water processing and recycling.

In fiscal 2009 and beyond, we will establish and enhance business bases in our strategic areas of India, the Middle East, Australia and New Zealand. In the course of business expansion, we will place utmost importance on risk management, including internal control, and strive to promote diversity through the

increased employment of local staff by the Regional Business Center (RBC).

We will make more careful decisions on investment on the back of significant changes in the business environment. The full-scale economic recovery in the ASEAN region is expected in the third quarter of fiscal 2009 or later, and we will take advantage of business opportunities after the economic recovery, while concentrating on risk management, including credit administration, inventory adjustment and debt collection.

#### TOPICS

On the occasion of gaining membership in the WTO, Vietnam disclosed its plan to open up the market to the foreign currency distribution business. Against this backdrop, Nagase became the third Japan Foreign Trade Council member company to establish a wholly owned subsidiary in Hanoi. In Indonesia, we launched a joint venture for urethane frame lamination for automobiles with three other companies to expand the automotive business.



Masamichi Kan  
Executive Officer, GM, Nagoya Branch  
Office

### Nagoya Branch Office

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

#### ■ Fiscal 2008 Strategies and Results

During the fiscal year under review, we aimed to expand the automotive businesses of interior, electric and mechanical components as well as in-vehicle batteries. In the non-automotive field, we engaged in business operations with the aim of further enhancing contract businesses in pharmaceuticals and functional food products. To that end, sales in the first half of fiscal 2008 remained brisk. In the second half of the fiscal year under review, however, the Nagoya Branch Office suffered substantial damage from decreased demand in the automotive and related industries, failing to reach sales and operating income targets.

#### ■ Strategies in Fiscal 2009

We decided to close the Nagoya Sales Department in fiscal 2009 and move sales functions from the Nagoya Branch Office under the direct control of each department in the Nagase headquarters. This will enable the Nagoya Branch Office to realize smooth implementation of business strategies in the Chubu district. Offering professional, detailed information to customers, we will contribute to the development of the Nagoya economy through our business operations.



Mitsukuni Mori  
President, Nagase ChemteX Corp.

### Nagase ChemteX

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

### ■ Fiscal 2008 Performance

In fiscal 2008, sales declined 15% year on year to ¥23.3 billion, while operating income dropped 69% to ¥0.9 billion. Despite sales in the life sciences business remaining on par with the previous fiscal year, sales of products for the electronics industry, including flat panel displays (FPD) and semiconductors, dropped, while automotive-related products saw an abrupt sales decline in the second half of fiscal 2008, reflecting changes in the global economic environment. Accordingly, we recorded a substantial profit decrease. On the earnings front, we experienced a sharp drop due to sales declines and loss on valuation, as well as a steep rise in raw materials and fuel costs in the first half of fiscal 2008, despite our efforts in introducing new products and reducing costs.

### Production Structure

In Japan, we shifted our fuel use from heavy oil to LNG at the Harima Plant, where we produce a variety of electronics-related products and performance chemicals, to reduce greenhouse gas emissions and energy use. At the Fukuchiyama Factory, which produces life sciences-related products, we reinforced facilities for pharmaceutical materials. In addition, we established the Sakai Plant on the premises of Sharp's "Manufacturing Complex for the 21st Century" to produce chemicals such as stripping agents.



LNG facilities

Overseas, sales of formulated epoxy resins at Nagase ChemteX (Wuxi) Corp. grew, contributing to the performance of the Nagase ChemteX Group.

### R&D Structure

Nagase ChemteX's research and development structure has a total of 130 members and comprises product development teams within divisions as well as an R&D Division working company-wide.

In the life sciences field, we promoted the development of pharmaceutical intermediates and new enzymes in collaboration with the Nagase R&D Center. In the electronics field, we proactively engaged in the development of opto-electronics materials, organic-inorganic hybrid materials, nanotechnology



Experimental facility inside the new research building

materials and environmentally conscious plastics. Upon the selection of development approaches, we figured out market needs through Nagase's sales department and took advantage of the synergies in cooperation with the R&D and trading company functions.

During fiscal 2008, we constructed a new research building on the premises of the Harima Plant in preparation for the future expansion of business functions.

### ■ Business Overview of Fiscal 2008

#### Electronics & Structural Materials

The Electronics & Structural Materials business carries out product development and production based on high-level epoxy formulation technology. In the electronics business, we expanded sales of epoxy sheet and gained customer recognition for our liquid semiconductor encapsulant. In addition, we commenced sales of adhesive for solar batteries and halogen-free resin during the fiscal year under review. In structural materials, sales of resins for artificial marble and wind power generation grew.

#### Electronics Chemicals

The Electronics Chemicals Department handles a broad array of photolithography chemicals for the semiconductor and LCD industries. However, during fiscal 2008, our mainstay stripping agents and other products recorded a substantial drop in sales. However, we strived to upgrade existing products, while bringing results in high-value-added special photoresist materials and photo-sensitive direct materials.

#### Functional Chemicals

In fiscal 2008, we endeavored to expand overseas sales of epichlorohydrin derivative for tire cords and developed low-chlorinated, high-purity products to meet needs in the electronic materials field. Sales of special acrylic ester copolymer grew both in Japan and overseas as semiconductor adhesive, leveraging its advanced characteristics. Demand for chelating agents increased from certain customers, while sales of high-functional fluorene derivatives for FPDs, electroconductive polymer Denatron and raw materials for LCDs declined significantly due to stagnant demand. However, we promoted the development of new products.

#### Life Sciences

Owing to our efforts to collect new themes for active pharmaceutical ingredient (API) and intermediates, we increased the number of items for contract production. During the fiscal year under review, we also promoted the development of

unnatural amino acids. In the enzyme business, we commenced sales of new enzymes to meet customer needs, thanks to our actinomycete high-expression technology. We also commenced full-scale production of phospholipid products at mass production facilities by using our proprietary phospholipid converting enzyme.

### ■ Strategic Initiatives in Fiscal 2009

In the new medium-term management plan "CHANGE" II starting in fiscal 2009, we will further reinforce our R&D and manufacturing activities based on basic policies in each group.

Focusing on the electronics, life sciences, automotive and environment-related fields, we aim to strengthen our capability to develop unique technolo-

gies by leveraging a number of elemental technologies. Together with this, we will strive to create new businesses and products to meet diverse global needs. We will place particular emphasis on the environment-related businesses encompassing solar batteries, hybrid vehicles, wind power generation, and recycling, as well as initiatives in reducing product weight, in pursuit of increasing the new product commercialization ratio as well as the eco-friendly products ratio to all new product lineups.

Furthermore, we will make every effort to consolidate our production foundation as a maker that focuses on production technology and quality assurance, playing a central role in the Nagase Group's R&D and manufacturing functions.



### Nagase R&D Center

The mission of the Nagase R&D Center is to develop a technology platform that backs up the Nagase Group's future business and to act as a driving force in business related to life sciences. The Center will continue to energetically offer and provide technological solutions with the aim of strategic involvement with the Group and business expansion based on high-level research and development capabilities.

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

<b>1. Process development technologies</b>
<ul style="list-style-type: none"> <li>① Develop production methods for unnatural amino acids using Maruoka Catalyst™ (asymmetric phase-transfer catalyst) and enzymes</li> <li>② Develop production methods for chiral compounds, such as active pharmaceutical ingredients, intermediates thereof and liquid crystal components, using chiral compounding technologies (hybrid of biotechnology and organic chemistry methods) in elaborate multi-step processes</li> </ul>
<b>2. Biotechnology (microorganisms, enzymes)</b>
<ul style="list-style-type: none"> <li>① Identify new enzymes through a ready-to-use microorganism library; explore the possibilities of a ready-to-use microorganism library expanding steadily in its genetic diversity for new enzymes</li> <li>② Achieve highly efficient protein production using recombinant microorganisms</li> <li>③ Produce substances using enzymatic reaction technologies</li> <li>④ Develop various chemicals using genetically modified microbes</li> </ul>
<b>3. Natural materials development and application technologies</b>
<ul style="list-style-type: none"> <li>① Identify and evaluate new ingredients for health foods and cosmetics</li> <li>② Develop formulation methods for health foods and cosmetics</li> </ul>
<b>4. Drug discovery support technologies</b>
<ul style="list-style-type: none"> <li>① Develop multi-color live cell imaging for drug and food evaluation</li> <li>② Develop reagent kit screening for receptors in humans</li> <li>③ Develop RNAi-related technologies (repression of l:sequence specific gene)</li> </ul>
<b>5. Analysis and evaluation technologies</b>
<ul style="list-style-type: none"> <li>① Analyze imported active pharmaceutical ingredients according to the Japanese Pharmacopoeia in compliance with GMP standards and establish specifications</li> </ul>

### ■ Achievements in Fiscal 2008

#### Product Development

1. Expansion of the pharmaceutical intermediate contract production business based on unnatural amino acid technology
2. Launch of actinomycete-derived new enzyme (chitobiases)
3. Introduction of the new Belmash (Belmash R) health foods

#### Technological Results

1. Establishment of unnatural amino acid guards production method
2. Establishment of aqueous process for highly efficient phospholipid production
3. Cultivation of actinomycete high-expression technology
4. Research on the impact of Lingzhi (*Ganoderma lucidum*) mushroom extract to adipocyte differentiation and adipocytokine gene expression

### ■ Intellectual Property Administration and Usage

For the administration and use of intellectual properties generated from its R&D activities, the Nagase R&D Center strategically engages in the acquisition of intellectual property rights for research results jointly with the Intellectual Property Office as well as the establishment of new companies based on projects of business departments and affiliated companies.

#### Patent Applications Filed and Patents Acquired

	During Fiscal 2008		Cumulative Total as of March 31, 2009	
	In Japan	Overseas*2	In Japan	Overseas*2
Patent applications filed*1	12	11	794	370
Patent rights established*1	4	5	152	172

1. The number of patents is in the name of the Nagase R&D Center. Licenses and other intellectual property rights are not included.

2. The above patents include applications for international patents.

### ■ Strategic Initiatives in Fiscal 2009

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

In fiscal 2009, we will place the top priority on the launch of several new enzyme products as well as building connections for the natural amino acid contract production business. In technological development, we will leverage microorganism and biotechnology-related technologies, which have been cultivated for 70 years, to further explore their diverse use in the life sciences, environment and energy fields. Simultaneously, we will take initiative in creating new businesses with our proprietary actinomycete technology. Furthermore, with the aim of accelerating R&D activities, we create a strong tie-up with Kobe University (a cooperative bioproduction bases for a next-generation agriculture project sponsored by the Ministry of Education, Culture, Sports, Science and Technology) to bring about open innovation.

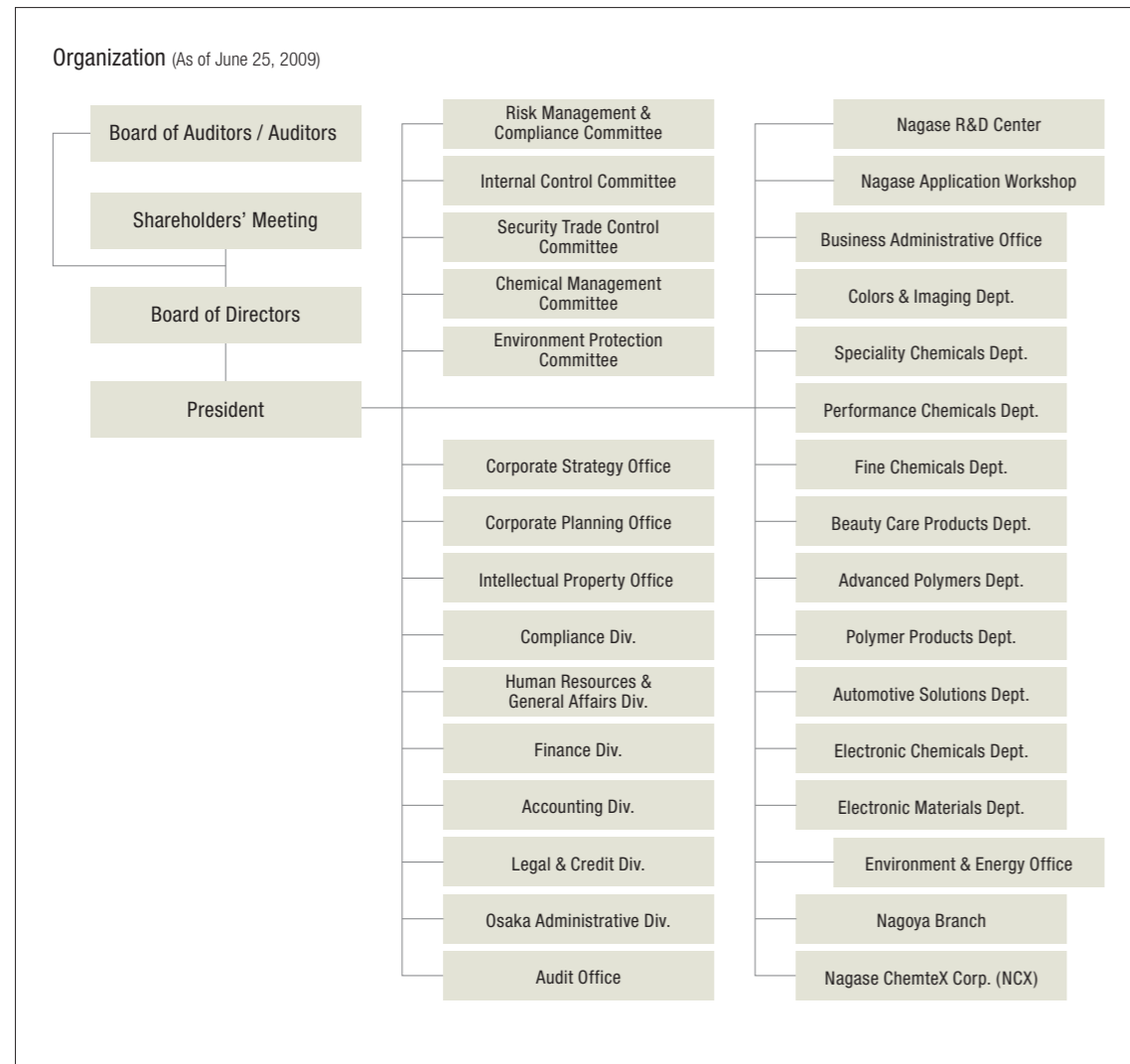
Management Philosophy

# “Maintain good and fair business practices”

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.

“The Nagase Way” Action Principles

- 1 Always be customer-oriented.
- 2 Always be a creative challenger.
- 3 Always use the power of the Nagase Group.
- 4 Always think globally and act locally.
- 5 Always think systematically and act speedily.



(As of June 25, 2009)



Front row from left: Kyoichi Zushi, Hiroshi Nagase, Makoto Tsuruoka, Reiji Nagase  
Back row from left: Kenichi Matsuki, Kazuo Nagashima, Shingo Bamba, Haruyuki Niimi, Iwao Nakamura

**Board of Directors**

Representative Director, President and CEO

**Hiroshi Nagase**

Representative Director and Senior Managing Executive Officer

**Makoto Tsuruoka**

GM, Corporate Planning Office; GM, Finance Division; GM, Accounting Division

**Kyoichi Zushi**

Fine Chemicals Department; Beauty Care Products Department; Business Administrative Office; Nagase R&D Center; Nagase Application Workshop

Director and Senior Managing Executive Officer

**Reiji Nagase**

Advanced Polymers Department; Automotive Solutions Department; Nagoya Branch Office; Environment & Energy Office

Director and Managing Executive Officer

**Shingo Bamba**

Colors & Imaging Department; Performance Chemicals Department; Speciality Chemicals Department

**Kazuo Nagashima**

Polymer Products Department; Electronic Chemicals Department; Electronic Materials Department

Director and Executive Officer

**Kenichi Matsuki**

GM, Human Resources & General Affairs Division; GM, Legal & Credit Division; GM, Osaka Administrative Division; GM, Compliance Division; GM, Intellectual Property Office; Audit Office

Outside Director

**Haruyuki Niimi**

(Chairman Emeritus, Showa Shell Sekiyu K.K.)

**Iwao Nakamura**

(Advisor, Nissan Diesel Motor Co., Ltd.)

**Corporate Auditors**

Standing Corporate Auditor

**Hideo Yamashita** (Outside Auditor)

**Tetsuwa Konishi**

**Takahide Osada**

Corporate Auditor

**Toshio Takano** (Outside Auditor)

**Executive Officers**

Managing Executive Officer

**Mitsukuni Mori**

President, Nagase ChemteX Corp.

Executive Officer

**Masamichi Kan**

GM, Nagoya Branch Office

**Osamu Kitaguchi**

CEO, China

**Masuhiro Nojiri**

GM, Fine Chemicals Department

**Masao Hidaka**

CEO, ASEAN Region/India

**Toshiro Yamaguchi**

GM, Performance Chemicals Department, Osaka District

**Hiroshi Hanamoto**

GM, Colors & Imaging Department

**Tomitaka Ito**

GM, Electronic Chemicals Department

**Kazuo Mitsunashi**

Nagase ChemteX Corp.

**Ryuji Mise**

GM, Beauty Care Products Department

**Mitsuaki Ito**

GM, Business Administrative Office

**Mitsuro Naba**

GM, Speciality Chemicals Department

**Kenji Asakura**

GM, Automotive Solutions Department

**Osamu Morishita**

COO, Shanghai Nagase Trading Co., Ltd.

# Corporate Governance

At Nagase, we believe that quick decision-making and action as well as active, transparent management are vital to implement our management philosophy and to continue to raise corporate value. Having adopted a Board of Auditors system, we regard the strengthening of corporate governance as a key management issue and are aggressively working to that end. The Company's current management framework consists of nine directors (including two outside directors from outside the Company), four corporate auditors (including two from outside the Company) and 21 executive officers, seven of whom concurrently serve as directors.

## Business Execution Framework

The Board of Directors, at the foundation of a structure to ensure efficiency in the execution of directors' duties, is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervising the execution of operations. Holding a regular monthly meeting, the Board of Directors reviews and formulates measures regarding important decisions and tracks business performance.

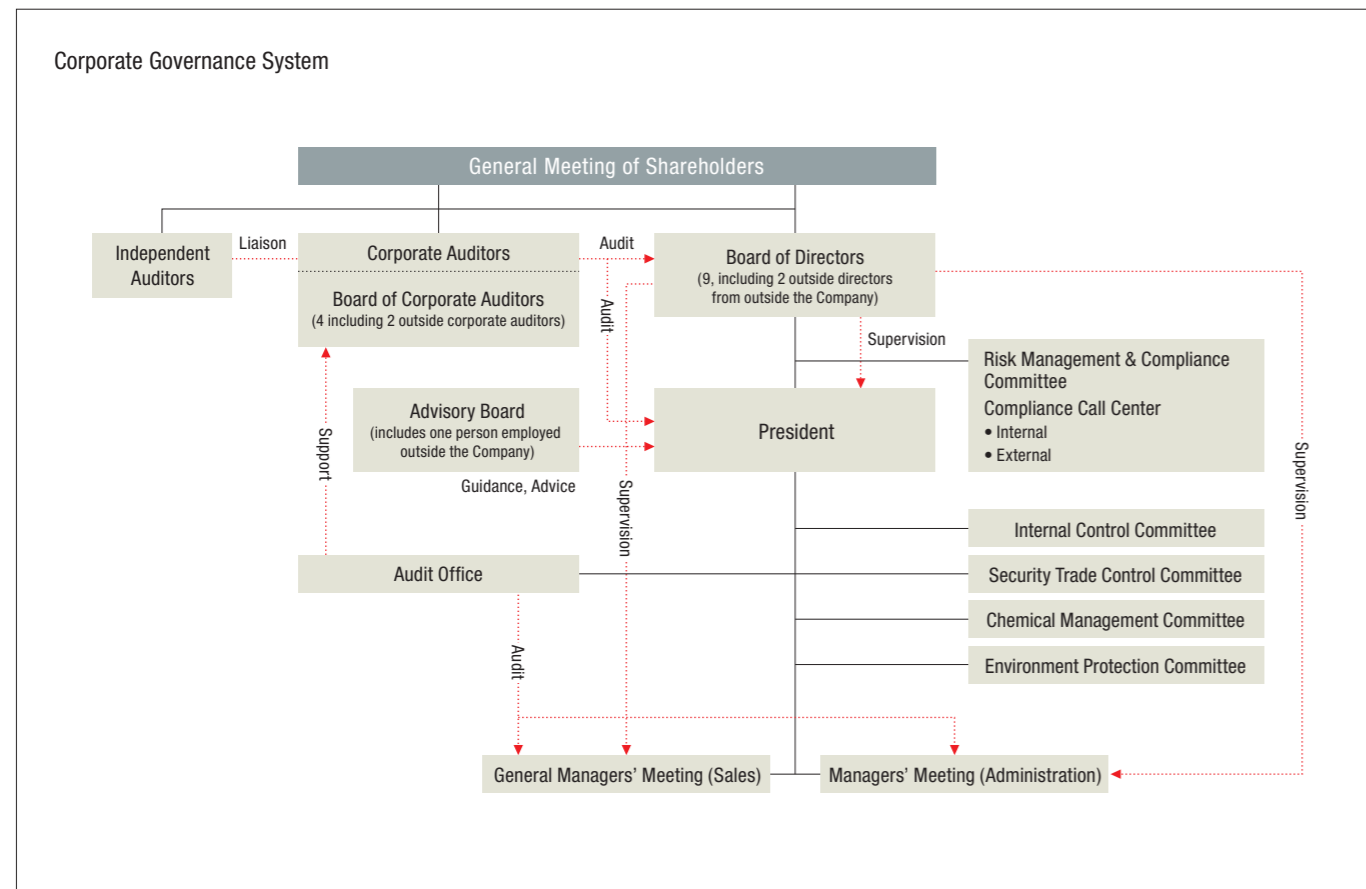
Under an executive officer system introduced in June 2006, executive officers' roles, responsibilities, and procedures within basic organizational regulations covering the operation and division of duties are based on Board of Directors' decisions. Executive officers attend General Managers' meetings, where they discuss sales and marketing issues, and Managers' meetings, where they discuss administrative issues and establish concrete measures based on status reports received from each department.

Moreover, Nagase has established an Advisory Board, which includes one person employed outside the Company, since we consider the carrying out of objective checks and evaluations of Company management practices to be of the utmost importance.

## Auditing Framework

In accordance with audit policy and auditing plans formulated at Board of Auditors' meetings, corporate auditors survey the Company's operations and financial status. In addition, corporate auditors attend important meetings, such as Board of Directors' meetings, and by requesting asset and management reports from subsidiaries on an as-needed basis conduct audits of the execution of duties of directors and executive officers.

The eight people in the Audit Office are in charge of internal audits, including audits to assess the appropriateness and efficiency of business activities. The Audit Office and Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries. In addition, they perform liaison activities, including receiving regular reports from Ernst & Young ShinNihon LLC, Nagase's independent auditors, regarding accounting matters and associated internal controls. Audit Office members are also present at accounting audits conducted by the independent auditors. Corporate auditors hold meetings twice a year with affiliated companies' auditors.



## Internal Control System

To maintain the appropriateness of its business operations and strengthen risk management, the Company upgrades the basic guidelines that form the framework of its internal control system. In response to deterioration in the environment in which the Company operates, the basic guidelines were reviewed in March 2008 to strengthen its governance structure. The two resulting revisions are as follows:

### Revisions

1. The Compliance Committee was reformed as the Risk Management & Compliance Committee with overall control of risk management
2. Internal control framework to increase reliability of financial reporting in response to the Financial Instruments and Exchange Law

For more details of Nagase's basic internal control guidelines, please go to: <http://www.nagase.co.jp/csr/governance/>

## Internal Control over Financial Reporting

With Article 24 of the Financial Instruments and Exchange Law due to come into effect, the Nagase Group worked to introduce an internal control system, dedicating fiscal 2007 to its establishment and fiscal 2008 to its management. Not only did these efforts raise the reliability of financial reporting, they also strengthened the Group's makeup by enhancing risk management and improving business efficiency.

The Company attached an assessment of the effectiveness of its internal control to the annual report filed with the Japanese government agency for public disclosure on June 26, 2009. Moreover, the independent auditors' report and internal control audit report submitted by Ernst & Young ShinNihon LLC offered confirmation to the effect that the Company's disclosures in its internal control report were fair. The scope of the assessment covered by the "Company-wide Internal Control" and "Company-wide Oversight of the Financial Statement and Financial Reporting Process"—those companies that formed the subject of the Company's internal control assessment—included the Company and 40 of its 63 consolidated subsidiaries for a total of 41 companies. The six main business bases that formed the subject of the internal control

assessment related to business processes were: the Company, Nagase ChemteX Corp., Nagase Colors & Chemicals Co., Ltd., Hoei Sangyo Co., Ltd., Nagase Singapore (Pte) Ltd. and Nagase (Hong Kong) Ltd.

### Establishment and Management of Each Control

#### Company-wide Internal Controls

The subjects of the company-wide internal control assessment were all the business bases, where the establishment and management were all found to be effective.

In addition, carrying out these establishment and management activities served to upgrade the internal control monitoring and assessment framework throughout the Group.

#### Company-wide Oversight of the Financial Statement and Financial Reporting Process

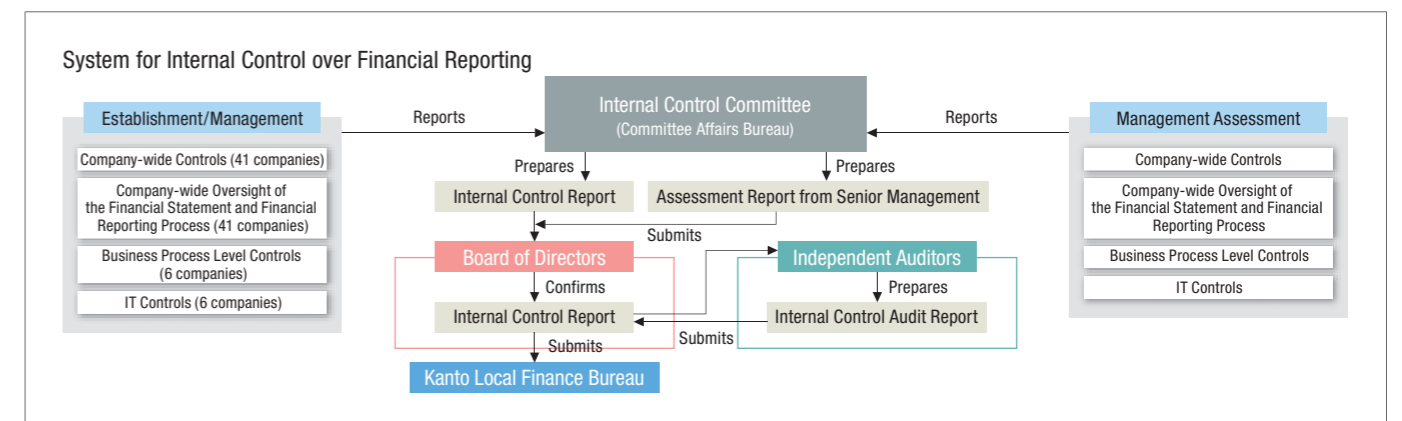
The subjects of the company-wide internal control assessment were all the business bases, where the establishment and management were all found to be effective.

#### Business Process Level Controls

For business process level controls, which were found to be effective at all main business bases, business process documentation was raised and an assessment of business process establishment carried out. In addition, approximately 300 business processes formed the subject of a management assessment at main business bases. With control being the key within all business processes, the body responsible for internal audits (the Audit Office) carried out control tests that revealed some minor discrepancies, after which management in all cases has been improved and problem free ever since.

#### IT Controls

The Group started to introduce unified IT controls at its main business bases in fiscal 2007 and is making progress with their establishment and management. Plans are in place to improve the management accuracy in fiscal 2009.



## Risk Management and Compliance

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

### Comprehensive Identification, Understanding and Control of Risks

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

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

#### Basic Compliance Policy

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

This policy defines the behavior standards that Nagase and its officers and employees will observe as it carries out its various business activities.

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

##### 1 Compliance with laws, regulations and internal rules and regulations

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

##### 2 Elimination of anti-social elements

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

##### 3 Provision of goods and services that are useful to society

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

##### 4 Respect for the qualities and individuality of employees

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

##### 5 Disclosure of information to stakeholders

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

##### 6 Preserving the global environment

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

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

Having reviewed the problem of the voluntary recall of portable DVD players, which occurred in July 2007, Nagase has reaffirmed the position of product safety as an important issue for Corporate Social Responsibility (CSR). In January 2008, we established the Quality and Environmental Control Office to manage, supervise and support quality control measures for products manufactured within the Group and the businesses that define the Company as a manufacturer, which includes imported products

and OEM supplies. Together with bolstering our risk management structure, in October 2008 we formulated the new Nagase Group Product Safety Principles. Furthermore, under our new Medium-term Management Plan "CHANGE" II, we will reinforce and expand research, development and manufacturing functions, and by establishing rules that conform to these principles and conducting activities that provide knowledge, we will secure the safety of the products handled by the Nagase Group.

### Specific Measures Taken for Individual Risks: Security Trade Control

As a trading company specializing in chemicals and which also carries out export business activities, mainly of chemical products and plastics, Nagase has set up its own Security Trade Control Regulations and established the Security Trade Control Committee to appropriately implement security trade control. Furthermore, the Company has established a department-level Security Trade Control Office within the Compliance Division to specialize in export control and act as secretariat of the Security Trade Control Committee. In addition, meetings of the Security Trade Control Committee and the Trade Control Commission are convened once a month to get an understanding of the export control situation and the latest in revisions to the Foreign Exchange and Foreign Trade Control Law as well as the details with regard to export control across the entire Group. Through these efforts, guidance and other activities, risk of violation of laws associated with export control is prevented.

#### Specific Management Framework

At Nagase, with regard to all products for export, the Compliance Program Procedural Administration System for goods and Technology (CP-PAS) is employed to record data on export products and overseas customers. Furthermore, these activities are regulated by the Foreign Exchange and Foreign Trade Control Law and the United States' Export Administration Regulations (EAR), and the Sales Division and export control officers confirm whether or not permission to export is required. This system is designed to ensure that only products approved by the Security Trade Control Office are available for export.

Moreover, going one step beyond just adherence to the law, we define policies of the entire Nagase Group associated with security export control that prohibit trade in products that are military-related items or that have military applications, and we make the Nagase Group fully aware of Group policies so as not to become involved in security export control risks.

#### Efforts to Promote Personnel Development

Every year, the practical business of security trade control becomes ever more complex. To keep pace with this situation, the Nagase Group encourages employees, mainly those involved in export operations, to take the exam to become an STC Associate, which is offered by Center for Information on Security Trade Control (CISTEC). As of March 31, 2009, 117 employees from a total of 17 companies, including Nagase and affiliated companies, had taken the exam. We continue to strive to foster personnel with a high level of knowledge and expertise.

#### Aiming to Raise Awareness of Security Trade Control

At Nagase, internal security trade control training is provided to all employees, and the Human Resources & General Affairs Division offers various training opportunities such as orientation for new employees, personnel training according to level, and the implementation of other activities that educate and instill knowledge. In addition, we hold lectures for domestic subsidiaries and affiliates and overseas-based subsidiaries, with the entire Group participating. In fiscal 2008, a total of 90 training lectures were provided to 2,199 people.

### Specific Measures taken for Individual Risks: Chemical Management

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

#### Framework to Respond to Chemical Laws and Regulations

When Nagase handles new chemicals, we go beyond what is required by law, confirming the ingredients of all products and related laws and regulations and managing relevant data. In this way we are able to make swift confirmation and provide the information required to confirm compliance with revisions to laws in Japan and abroad. In addition, because we distribute information on the chemical substances contained in products along the supply chain, we endeavor to pass on accurate information by participating in the Joint Article Management Promotion-consortium (JAMP) and by using specialized tools for products containing chemical substances such as MSDS Plus and AIS.

#### Addressing European REACH Chemical Regulations

In response to the Registration, Evaluation, Assessment of Chemicals (REACH) regulations, which took effect in June 2007, Nagase established the REACH Regulation Compliance Team as an internal organization, and by November 2008, we had completed and submitted to the European Chemicals Agency (ECHA) a pre-registration of the chemical substances. In addition, the REACH Compliance Team not only maintains a structure to respond to laws and regulations at the Company, but also holds regular briefings on facts and points to keep in mind regarding the outline and assumptions with regard to REACH regulations for the Company's business partners, while also supporting the tentative registration process.

#### Compliance with Restriction of Hazardous Substances Directive

The importance of controlling hazardous substances contained in products has been growing in line with the implementation of the Restriction of Hazardous Substances (RoHS) Directive. At Nagase, we launched the Green Procurement Team to respond to the needs of each Group company. Moreover, we formulated the Green Procurement Guidelines, which clarify the Company's procedures for environment-friendly procurement and are providing a structure that communicates accurate information to our business partners.

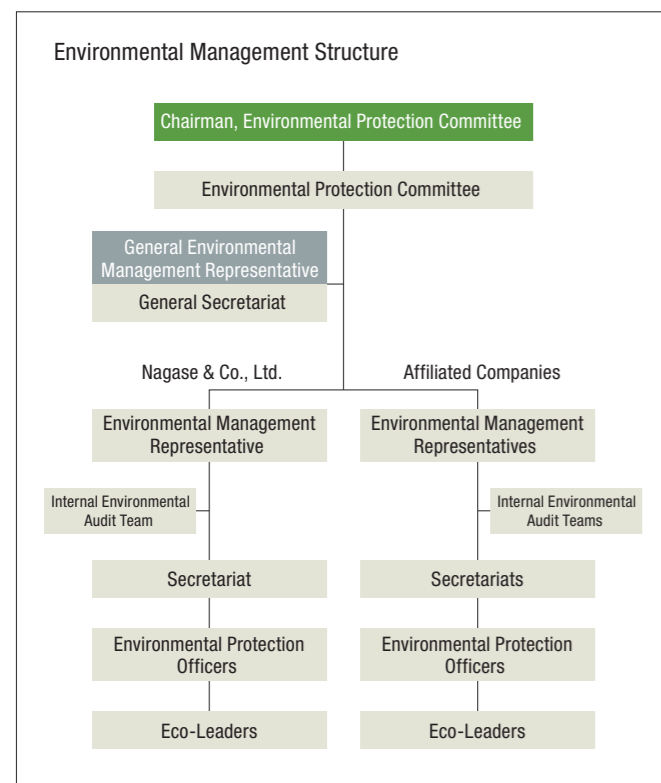
The Nagase Group is a member of society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees. Nagase concentrates not only on business growth but also on CSR-oriented operations with active contributions to society in the areas of environmental preservation, responsibilities as a good corporate citizen and development of scientific technology.

## Environmental Management Structure

Nagase began building an environmental management structure in May 1999 by establishing an Environmental Protection Committee. Relatively earlier than other trading companies in Japan, Nagase obtained ISO 14001 certification for its environmental management system in April 2000 in response to societal demands. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifications and thereby expanded the scope of certification.

Currently, five sales companies—Nagase Colors & Chemicals Co., Ltd., Nagase Chemical Co., Ltd., Nagase Plastics Co., Ltd., Nagase Abrasive Materials Co., Ltd. and Nishinihon Nagase Co., Ltd.—conduct activities together with Nagase at its certified business establishments. Also, certain affiliated companies that have obtained equivalent certification independently—namely, Nagase ChemteX Corp., Totaku Industries, Inc., Hoei Sangyo Co., Ltd., Hoei Techno Service Co., Ltd, Nagase Medicals Co., Ltd., Setsunan Kasei Co., Ltd., Nagase Techno-Engineering Co., Ltd. and Nagase Logistics Co., Ltd.—are conducting their own environmental activities.

In addition, these and other affiliated companies appoint environmental protection officers, who coordinate department-specific environmental activities, and eco-leaders, who promote the implementation of these activities. With these officers and leaders in place, the Nagase Group is proactively advancing initiatives aimed at continuously improving various environmental activities.



## Environmental Management Activities

Nagase bases its environmental management activities on daily operations. Specific activities include the creation and expansion of eco-businesses and the enhancement of operational efficiency. Meanwhile, with due consideration given to the nature of trading company business, which handles a significant volume of international trading, the Company strictly observes Japanese and overseas laws and regulations while providing relevant legal information to its customers and working to ensure the legal compliance of activities that it and its customers conduct. To strengthen the effectiveness of the environmental management activities, each department formulates an implementation plan and accordingly implements and reviews these activities for continuous improvements.

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

## Environmental Policy

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

## Nagase’s Original Eco-Businesses

### • Electronic Chemicals Business

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

Applying the entire range of its technologies, expertise and experience in the electronic chemicals business, the Nagase Group also completed a plant, which manufactures, supplies and recycles chemicals used in LCD panel manufacturing processes, within Sharp’s “Manufacturing Complex for the 21st Century” in December 2008. Utilizing the CMS and Nagase ChemteX Corp.’s chemical recycling technologies, this on-site plant recycles developer, stripping agents and other chemicals. Concentrating the Nagase Group’s long-accumulated technologies at this recycling-oriented plant will enable major reductions in the use of chemicals and raw materials as well as significant environmental contributions.



Chemical recycling plant within Sharp’s “Manufacturing Complex for the 21st Century”



Precision Filtration Equipment



Developer Dilution Supply Equipment



Developer Control Equipment

### • Wind Power Generation Business

Nations worldwide are accelerating the introduction of renewable energy with small environmental impact. China has increasingly introduced wind power generation and attained the world’s fourth position in terms of total installed wind power capacity as of December 2008. The Nagase Group is working to establish and expand a wind power generation business in the rapidly growing Chinese market, leveraging its intelligence capability and Nagase ChemteX’s long-nurtured technologies and development capability relating to epoxy resin. Specifically, Nagase ChemteX is developing windmill blade materials and mold frames and other structural components in Japan, while Nagase ChemteX (Wuxi) Corp. is manufacturing and supplying these products in China.

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

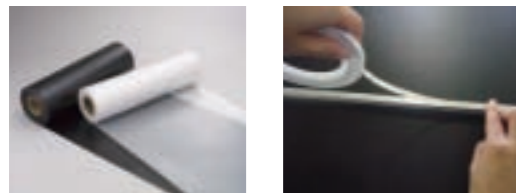




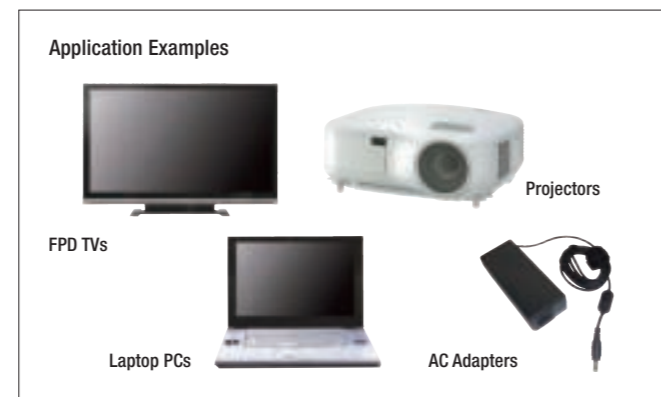
• “SunMorfee” Eco-Friendly Flame Retardant Insulating Film

Environmental policies, such as the Restriction on the Use of Hazardous Substances (RoHS) Directive in Europe, have promoted the development of environment-friendly household electronics that are lighter and thinner, causing subsequent demand for parts with superior heat resistance and flame retardant properties. Under these conditions, Sun Delta Corporation—a joint venture between Nagase and Asahi Kasei E-materials Corporation—has succeeded in the independent development of SunMorfee V, a flame retardant polycarbonate insulating sheet. Boasting the world’s highest flame retardant properties (UL94 V-0 at 0.40mm), SunMorfee V contains no brominated flame retardant agents, the use of which may cause environmental problems. Sun Delta has also succeeded in the independent development of SunMorfee T, a thermal conduction sheet based on a special thermoplastic elastomer resin. The joint venture is working aggressively to expand the sales of these products.

Specifically, the application of SunMorfee V has rapidly increased, particularly as insulating film for flat panel display (FPD) TVs, such as LCD and plasma



panel display (PDP) TVs, as well as for power supply units. Accordingly, Sun Delta is now marketing SunMorfee V not only in Japan, but also in Asia, Europe and the United States. Meanwhile, SunMorfee T is used to effectively dissipate heat, often sandwiched by a heat source and a heat sink or metal chassis. This thermal conduction sheet is very thin yet extremely easy to handle. Due to these characteristics, the sheet is suitable for tape applications. In fact, taping the sheet on light-emitting diode (LED) substrates will improve LED life and luminance. Furthermore, SunMorfee T is reusable after removal, while its mill ends are recyclable as it is a thermoplastic. These features enable reduced disposal loss of the material, making it highly eco-friendly.

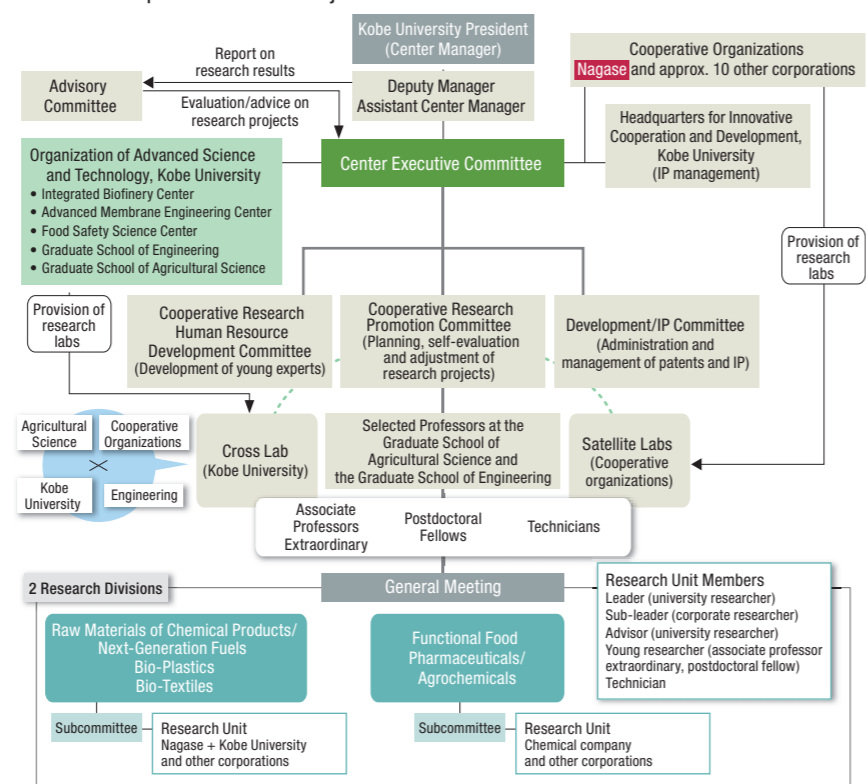


➤ Environmental R&D Activities

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

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

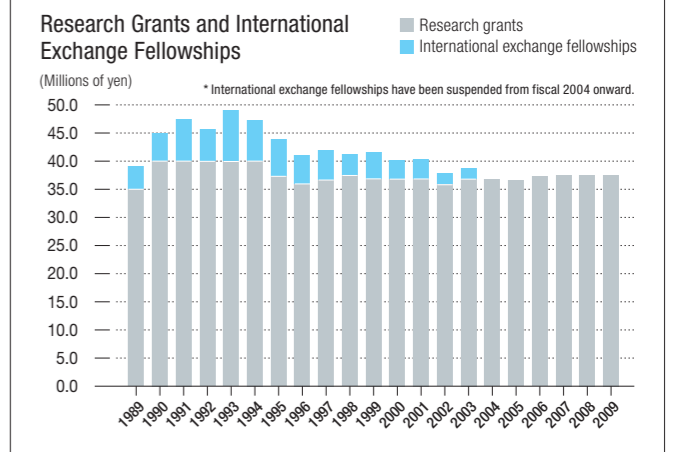
Innovative Bioproduction Kobe Project Structure



Contributing to Growth of Scientific Technology

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

Contributions include research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures. To date, the foundation has awarded a cumulative 326 research grants and 178 international exchange fellowships, the sum of which totals approximately ¥860 million.



Research Grants Provided in Fiscal 2009

Name	Position / Present Office	Subject Matter
<b>Biochemistry</b>		
Hirofumi Aiba	Associate Professor Graduate School of Bioagricultural Sciences, Nagoya University	Characterization of long lived gene in fission yeast and its application to fermentation industry.
Ryota Iino	Assistant Professor Institute of Scientific and Industrial Research, Osaka University	Development of single-cell microarray devices for the research of persister bacteria
Jun Ogawa	Professor Research Division of Microbial Sciences, Kyoto University	Application and analysis of reductive fatty acid metabolism in anaerobic bacteria
Masafumi Odaka	Associate Professor Graduate School of Technology, Tokyo University of Agriculture and Technology	Unveiling reaction mechanism of nitrile hydratase using time-resolved crystallography
Hideaki Hisamoto	Associate Professor Graduate School of Engineering, Osaka Prefecture University	Development of simple, rapid, and highly-sensitive single-step multi immunoassay chip accelerating biochemical research and diagnosis
Hiroki Yamamoto	Associate Professor Faculty of Textile Science and Technology, Shinshu University	Elucidation of biosynthesis, modification and degradation mechanisms of the bacterial cell wall
Ken-ichi Yoshida	Associate Professor Graduate School of Agricultural Science, Kobe University	Production of rare inositol isomers by bioconversion in Bacillus
<b>Organic Chemistry</b>		
Hiroyuki Isobe	Professor Department of Chemistry, Tohoku University	Molecular Design of Pillared $\pi$ -Systems
Junji Ichikawa	Professor Graduate School of Pure and Applied Sciences, University of Tsukuba	Versatile Synthesis of Helicene and Acene Derivatives Directed toward Development of New Electronic Materials
Yoshiyasu Ichikawa	Professor Faculty of Science, Kochi University	Development of a new synthetic method for nitrogen-containing natural products
Masanari Kimura	Associate Professor Faculty of Engineering, Nagasaki University	Novel and efficient allylation toward fine chemicals synthesis
Hiroshi Shinokubo	Professor Graduate School of Engineering, Nagoya University	Development of novel functional $\pi$ -systems using borylated porphyrins
Yujiro Hayashi	Professor Faculty of Engineering, Tokyo University of Science	Practical synthesis of tamiflu and its derivatives
<b>Biochemistry / Organic Chemistry</b>		
Akira Otaka	Professor Institute of Health Bioscience and Graduate School of Pharmaceutical Sciences, The University of Tokushima	Development of methodology for control of the function of thiolprotease based on organic chemistry
Fumi Nagatsugi	Professor Institute of Multidisciplinary Research for Advanced Materials, Tohoku University	Development of the Novel Strategy for the Artificial Regulation of Gene Expression Targeted to Functional RNA

## Six-Year Summary

Nagase & Co., Ltd. and Consolidated Subsidiaries  
(Fiscal years ended March 31)

	(Millions of yen)						Thousands of
	2004	2005	2006	2007	2008	2009	U.S. Dollars (Note)
<b>For the Fiscal Year:</b>							
Net Sales	¥ 533,301	¥ 575,636	¥ 648,023	¥ 701,321	¥ 764,755	¥ 715,238	\$ 7,281,258
Domestic	349,556	363,707	388,470	410,788	432,812	394,873	4,019,882
Overseas	183,744	211,928	259,553	290,532	331,942	320,364	3,261,366
Gross Profit	53,494	61,960	67,640	73,639	80,506	71,527	728,158
Operating Income	10,244	13,256	17,596	21,669	23,063	12,522	127,476
Income before Income Taxes and Minority Interests	11,721	17,558	20,583	23,095	20,264	11,183	113,845
Net Income	7,010	10,384	12,892	13,567	10,005	5,808	59,127
Capital Investment	¥ 2,778	¥ 6,616	¥ 4,769	¥ 5,713	¥ 9,885	¥ 10,040	\$ 102,209
Depreciation and Amortization	3,188	3,074	3,528	4,110	5,131	5,425	55,228
Research and Development Expenses	2,435	2,348	2,428	2,571	2,927	2,985	30,388
<b>As of the Fiscal Year-End:</b>							
Total Assets	¥ 310,793	¥ 335,290	¥ 396,773	¥ 422,859	¥ 419,869	¥ 340,968	\$ 3,471,119
Net Assets	156,210	167,092	196,620	211,672	208,377	191,931	1,953,894
Interest-Bearing Debt	16,417	14,019	24,834	20,491	33,342	31,340	319,047
Share Price (Yen)	948	1,075	1,582	1,485	1,018	761	7.75
Market Value	131,211	148,788	218,961	205,536	140,899	105,328	1,072,259
Number of Shares Issued and Outstanding (Thousands of Shares)	138,408	138,408	138,408	138,408	138,408	138,408	—
Number of Shareholders	7,563	6,982	6,904	6,653	6,324	5,801	—
Number of Employees	2,884	3,203	3,504	3,865	4,335	4,506	—
	(Yen)						U.S. Dollars (Note)
<b>Per Share Data:</b>							
Net Income (Basic)	¥ 54.69	¥ 81.00	¥ 100.32	¥ 105.84	¥ 77.86	¥ 45.17	\$ 0.46
Net Assets	1,227.82	1,311.37	1,535.70	1,597.27	1,559.97	1,435.88	14.62
Cash Dividends	9.00	10.00	15.00	18.00	17.00	16.00	0.16
<b>Ratios:</b>							
Operating Margin (Operating Income / Net Sales) (%)	1.9	2.3	2.7	3.1	3.0	1.8	—
Ratio of Income before Income Taxes and Minority Interests to Net Sales (%)	2.2	3.1	3.2	3.3	2.6	1.6	—
Return on Sales (ROS) (%)	1.3	1.8	2.0	1.9	1.3	0.8	—
Total Assets Turnover (Times)	1.8	1.8	1.8	1.7	1.8	1.9	—
Return on Assets (ROA) (%)	2.4	3.2	3.5	3.3	2.4	1.5	—
Return on Equity (ROE) (%)	4.7	6.4	7.1	6.8	4.9	3.0	—
Shareholders' Equity Ratio (%)	50.3	49.8	49.6	48.5	47.8	54.1	—
Debt to Equity Ratio (Times)	0.11	0.08	0.13	0.10	0.17	0.17	—
Interest Coverage Ratio (Times)	25.7	31.0	30.5	26.9	23.2	13.5	—

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98.23=U.S.\$1.00, the approximate rate of exchange prevailing on March 31, 2009.

## Management's Discussion and Analysis of Operations and Finances

### The Nagase Group and Its Businesses

The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with Nagase & Co., Ltd. (the "Company" or "Nagase") at its center. In addition, the Nagase Group manufactures and sells products and provides services. These businesses are conducted by 100 related companies, consisting of 73 subsidiaries and 27 affiliates. The scope of consolidation includes 51 subsidiaries as well as 11 affiliates, which are accounted for by the equity method.

During the fiscal year ended March 31, 2009, the Nagase Group removed 22 companies, including Nagase Filter Co., Ltd., from its scope of consolidation. The total assets, net sales, net income and retained earnings of these companies had no material effect on consolidated financial statements.

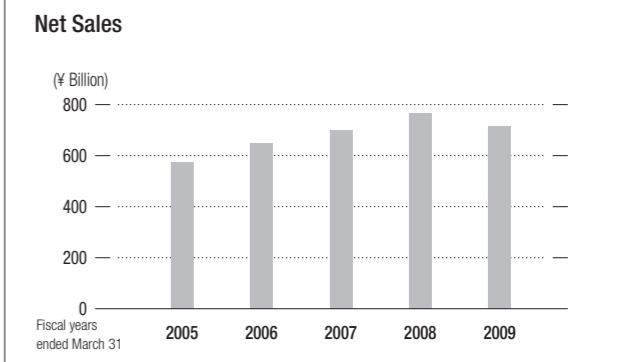
### Overview of Results

#### Net Sales

Triggered by the financial crisis in the United States, the downturn in the global economy assumed increasingly serious proportions. In fiscal 2008, the fiscal year ended March 31, 2009, conditions worsened noticeably in the United States and Europe, with Asia also suffering heavy repercussions. In the automobile and electronics industries, the Nagase Group's principal fields of activity, business conditions experienced an abrupt and substantial downturn. This was attributable to a variety of factors including large-scale cutbacks in production reflecting inventory adjustments in each of the aforementioned industries.

Against this backdrop, the Group worked diligently to improve its overall performance. Despite these endeavors, revenues declined both in Japan and overseas. In specific terms, consolidated net sales contracted 6.5 percent, or ¥49.51 billion, compared with the previous fiscal year to ¥715.23 billion.

On the domestic front, in addition to the drop in overall Chemicals segment sales, results for precision and electronic equipment applications in the Plastics segment and semiconductor- and LCD-related products in the Electronics segment were weak. As a result, sales in Japan decreased 8.8 percent, or ¥37.93 billion, to ¥394.87 billion. Outside of Japan, the Plastics segment sales fell substantially both in the ASEAN region and North America, with the sales decrease in the latter being most notable in automotive-related fields. Accounting for these factors, overseas sales declined 3.5 percent, or ¥11.57 billion, compared with the previous fiscal year to ¥320.36 billion.



#### Gross Profit and Selling, General and Administrative Expenses

Cost of sales decreased 5.9 percent, or ¥40.53 billion, year on year to ¥643.71 billion. In line with the decline in net sales, gross profit contracted 11.2 percent, or ¥8.97 billion, to ¥71.52 billion. On this basis, the ratio of gross profit to net sales was 10.0 percent, 0.5 of a percentage point lower than for the previous fiscal year.

Selling, general and administrative (SG&A) expenses edged up 2.7 percent, or ¥1.56 billion, compared with the previous fiscal year to ¥59.00 billion due to factors including amortization of actuarial loss in accounting for retirement benefits. The ratio of SG&A expenses to net sales increased 0.7 of a percentage point year on year to 8.2 percent.

#### Research and Development Expenses

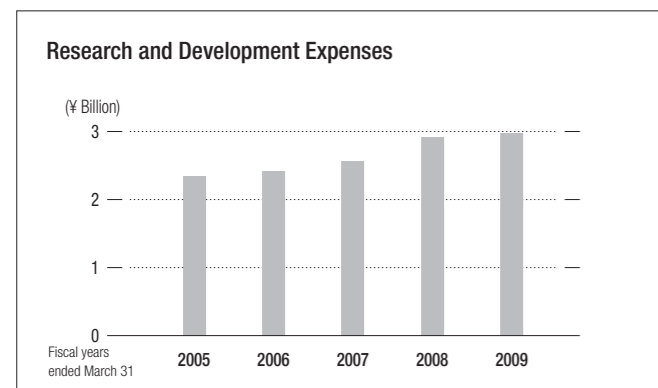
The Nagase Group integrates its comprehensive strengths to engage in research and development with the objectives of developing new technologies and products and disseminating technological information, based on its marketing activities, in order to create new businesses.

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

Located in Amagasaki City, Hyogo Prefecture, the Nagase Application Workshop (NAW) has now been in full-scale operation for approximately two years. NAW responds with great care to each of the various developmental and technical support issues introduced from customers and suppliers through sales, and it uses processing equipment and evaluation devices operated by technical staff specializing in the three areas of plastics, coatings and textile processing. Our activities at NAW are conducted with the aim of achieving win-win results—namely, when Nagase handles business derived from our contribution to customer solutions in the form of technological development.

For the year ended March 31, 2009, research and development expenses increased to ¥2.98 billion from ¥2.92 billion for the previous fiscal year.

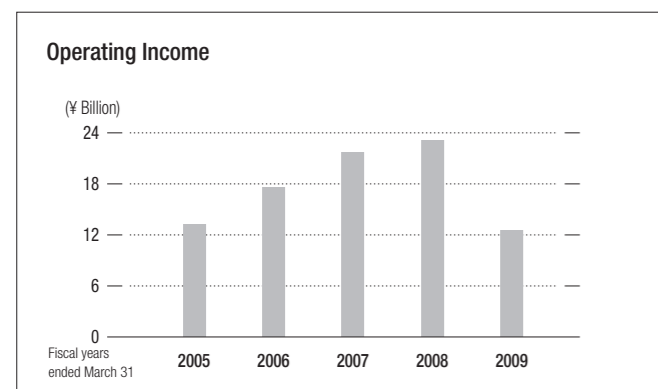
Note: Kobe University was selected by the Ministry of Education, Culture, Sports, Science & Technology for "Cooperative Bioproduction Bases for Next Generation Agriculture Project" (Formation of Innovation Center for Fusion of Advanced Technologies, Special Coordination Funds for Promoting Science and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



### Operating Income, Net Other Expenses

As a result of the above, operating income decreased 45.7 percent, or ¥10.54 billion, year-on-year to ¥12.52 billion. The operating margin decreased 1.2 percentage points to 1.8 percent.

Net other income declined 69.9 percent, or ¥1.23 billion compared to the previous year, to ¥0.53 billion. This was the result of ordinary dividend income from investments in transaction partners in related businesses.



The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, decreased to 13.5 times from 23.2 times for the previous fiscal year. As a result, ordinary income decreased 47.4 percent, or ¥11.77 billion, to ¥13.05 billion. The ratio of ordinary income to sales was down 1.4 percentage points compared to the previous year, to 1.8 percent.

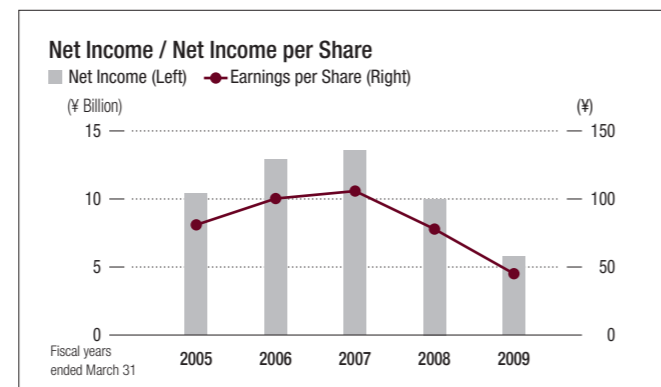
### Extraordinary Income and Loss, and Net Income

Extraordinary net loss decreased to ¥1.86 billion, from a loss of ¥4.55 billion in the previous fiscal year. Extraordinary income declined to ¥0.47 billion, from ¥2.64 billion of the previous fiscal year. This was mainly due to a decline of ¥0.01 billion from a ¥2.63 billion gain on sales of investment securities in the previous fiscal year.

Extraordinary loss declined to ¥2.34 billion, from ¥7.20 billion in the previous fiscal year. Despite the loss of ¥1.23 billion on the valuation of investment securities, up from ¥0.06 billion in the previous fiscal year, this improvement in extraordinary loss was mainly attributable to the absence of expenses recorded in the previous fiscal year including those related to the voluntary recall of portable DVD players sold by the Company.

Income before income taxes and minority interests decreased 44.8 percent, or ¥9.08 billion compared to the previous year, to ¥11.18 billion. On this basis, the ratio of income before income taxes and minority interests to net sales contracted 1.0 percentage point to 1.6 percent.

As a result, net income declined 42.0 percent, or ¥4.19 billion compared to the previous year, to ¥5.80 billion. This translated to a net income to net sales ratio of 0.8 percent, down 0.5 of a percentage point year on year. Net income per share decreased to ¥45.17 from ¥77.86 for the previous fiscal year.



### Results by Business Segment

#### Chemicals

Fiscal years ended March 31	2007	2008	2009
Net Sales	247.09	267.83	248.46
Operating Income	7.01	7.93	5.34
Total Assets	135.91	133.05	113.48
Depreciation and Amortization	0.90	1.26	1.24
Capital Expenditures	1.55	2.29	1.95

Segment sales decreased 7.2 percent, or ¥19.37 billion, year on year, to ¥248.46 billion. Segment operating income decreased 32.7 percent, or ¥2.59 billion, year on year, to ¥5.34 billion. Sales were strong in Asia, chiefly in the South China region, as well as the ASEAN region. However, domestic sales were stagnant, including sales of those products manufactured by the Company, and overall sales declined.

Overall results declined in the chemicals business, which covers relatively upstream areas within the Chemicals segment. In addition to lower sales of plastic raw materials and additives, results were weak in urethane and coating materials, mainly to the automotive industry, an area on which this business concentrates.

In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, printing-related business sales expanded in the South China region. While sales of ink materials for printers edged up slightly, results in products such as functional color pigments for plasma displays and other applications contracted. Sales dyestuffs, including overseas sales, were sluggish, and overall sales declined.

In the speciality chemicals business, sales of raw materials for cosmetics were firm. This was, however, more than offset by decreases in sales of oil solutions and organic synthesis materials as well as products for LCD and other related applications manufactured by Nagase ChemteX Corp. As a result, overall speciality chemicals business sales declined year on year.

#### Plastics

Fiscal years ended March 31	2007	2008	2009
Net Sales	244.68	274.66	253.02
Operating Income	6.53	6.13	2.44
Total Assets	118.80	126.04	103.34
Depreciation and Amortization	0.96	1.04	0.96
Capital Expenditures	1.18	1.03	2.07

Segment sales declined 7.9 percent or ¥21.63 billion year on year, to ¥253.02 billion. Segment operating income decreased 60.2 percent, or ¥3.69 billion, year on year, to ¥2.44 billion. Although sales to the automotive industry, particularly in the Greater China region, including Hong Kong and Taiwan, contributed to a slight upswing in results, the Plastics segment's overall performance declined due mainly to the slump in sales both in Japan and the ASEAN region.

Sales decreased substantially in businesses centered on precision and electronic equipment applications such as printers and copiers both abroad, focusing mainly on Asia, as well as Japan. In addition, sales of engineering plastics for CDs, DVDs and other media applications and LCD components, contracted, primarily in Taiwan.

Sales to the automotive industry decreased slightly year on year. Despite an increase in domestic sales of interior materials and certain components for mechanical part applications, this was mainly attributable to the drop in product sales for lamp and other applications. Overseas, results were mixed. Sales were robust in the southern and northern regions of China and increased in Thailand and Indonesia, but they declined in North America. As a result, overall overseas sales improved compared with the previous fiscal year.

In the housing equipment and building materials business, sales of building products and plastics, a key raw material, slumped. In addition to lower sales to the packaging materials industry, sales decreased in the electronic component assembly business, which is part of the downstream operations of the Plastics segment.

Among the Group's domestic manufacturing companies, sales were flat at Totaku Industries, Inc., a manufacturer of various types of flexible hose and pipes for industrial applications and household appliances. Results fell marginally at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging, and they declined at Setsunan Kasei Co., Ltd., which handles plastic coloring and compounding.

#### Electronics

Fiscal years ended March 31	2007	2008	2009
Net Sales	150.79	163.83	153.25
Operating Income	6.16	7.03	3.04
Total Assets	84.26	88.26	73.63
Depreciation and Amortization	1.46	1.94	2.12
Capital Expenditures	1.88	3.68	4.29

Segment sales declined 6.5 percent, or ¥10.57, year on year to ¥153.25 billion. Segment operating income declined 56.7 percent, or ¥3.98 billion, year on year to ¥3.04 billion. Sales in the Electronics segment saw an overall decline. Buffered by the global downturn in semiconductor and LCD-related industry demand from the second half of the fiscal year under review, sales of products including chemicals for manufacturing LCDs and various materials for semiconductors and other applications stalled.

In the electronic chemicals business, which is mainly comprised of original products manufactured by Nagase ChemteX Corp. and other Group companies, sales of formulated epoxy resins and chemicals declined substantially. At the same time, sales of supply and control equipment for front-end-of-line photolithography for LCDs and semiconductors were weak. As a result, overall electronic chemicals business sales decreased year on year.

In the LCD-related business, sales of optical film and other materials were robust. Overall business sales, on the other hand, declined slightly due mainly to the substantial drop in derivative business sales including LCD component processing and aluminum housing materials for electronic equipment.

Sales of precision abrasive materials used in silicon wafer processing and encapsulants used in post-processing of semiconductors experienced a large-scale decline.

Life Sciences			
Fiscal years ended March 31 (¥ Billion)			
	2007	2008	2009
Net Sales	53.55	56.48	58.90
Operating Income	2.00	1.66	1.16
Total Assets	33.41	32.17	35.09
Depreciation and Amortization	0.63	0.66	0.83
Capital Expenditures	0.76	1.67	0.99

Segment sales increased 4.3 percent, or ¥2.41 billion, year on year to ¥58.9 billion. Segment operating income declined 30.0 percent, or ¥0.5 billion, year on year to ¥1.16 billion. In the Life Sciences segment, sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly, while sales of pharmaceutical raw materials and intermediates in the fine chemicals business increased, resulting in solid overall growth in sales.

In the fine chemicals business, sales of fermentation products declined marginally. Buoyed by growth in pharmaceutical raw materials and intermediates, however, as well as diagnostic agents and reagents, overall sales in the fine chemicals business improved.

#### Others

Segment sales decreased 18.1 percent, or ¥0.34 billion, year on year to ¥1.58 billion. Sales of the Others segment contracted substantially due to the discontinuation of portable DVD player operations in the previous fiscal year. Operating income amounted to ¥0.16 billion.

### Results by Geographical Segment

#### Japan

Sales in Japan decreased 9.5 percent, or ¥47.09 billion, year on year to ¥450.10 billion. Factors included an overall decline in sales in the Chemicals segment as a result of the impact of the deteriorating economy, lower sales of precision machinery and electronic equipment applications in the Plastics segment and a decline associated with semiconductors and LCDs in the Electronics segment. Operating income in Japan decreased 61.8 percent, or ¥8.35 billion, year on year to ¥5.16 billion due to the impact of amortization of actuarial loss in accounting for retirement benefits.

#### Northeast Asia

Sales in Northeast Asia increased 5.1 percent, or ¥7.34 billion, year on year to ¥151.62 billion. Automobile applications in the Plastics segment contributed to slightly higher sales, and in the South China region, sales in the Chemicals segment expanded to make up for lower sales in the Electronics segment. Operating income in Northeast Asia decreased 16.9 percent, or ¥0.9 billion, year on year to ¥4.46 billion as a result of the impact of sluggish sales in the Electronics segment.

#### Southeast Asia

Sales in Southeast Asia decreased 8.5 percent, or ¥7.30 billion, year on year to ¥78.16 billion. This was the result of a significant decline in sales in the Plastics segment, despite increased sales in the Chemical and Electronics segments. Operating income in Southeast Asia declined 31.4 percent, or ¥0.94 billion, year on year to ¥2.06 billion.

#### North America

Sales in North America decreased 18.0 percent, or ¥4.18 billion, year on year to ¥19.02 billion. Sales fell significantly in the Chemicals segment as well as in the automotive-related Plastics segment. Operating income in North America decreased 15.0 percent, or ¥0.04 billion, year on year to ¥0.26 billion.

#### Europe & Others

Sales in Europe & Others increased 11.8 percent, or ¥1.72 billion, year on year to ¥16.33 billion. Although sales were on par with the previous year in the Electronics segment, sales edged up in the Chemicals segment and grew in the Plastics and Life Sciences businesses. Operating income in Europe & Others fell 35.6 percent, or ¥0.29 billion, year on year to ¥0.53 billion as a result of lower profits of manufacturing subsidiaries.

### Profit Sharing Policy

#### Dividend Policy

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

Based on this policy, Nagase plans to pay a fiscal year-end dividend of ¥8.00 per share for the fiscal year ended March 31, 2009. Together with the interim dividend, the Company will therefore pay an annual dividend of ¥16.00 per share, ¥1.00 per share lower than for the previous fiscal year. The consolidated payout ratio increased to 35.4 percent from 21.8 percent for the previous fiscal year.

For the fiscal year ending March 31, 2010, Nagase plans to pay a total cash dividend of ¥14.00 per share, consisting of an interim and fiscal year-end dividend of ¥7.00 per share each.

#### Stock Option System

In the fiscal year ended March 31, 2003, the Nagase Group introduced a stock option system aimed at boosting the motivation and morale of Group employees in order to improve their performance and at further enhancing the Company's corporate value by aligning the interests of the Group with those of shareholders. During the year ended March 31, 2009, the Nagase Group issued rights to purchase new shares in the form of stock options to directors, executive officers, technology officers and Company managers, as well as to directors and individuals with equivalent titles at subsidiaries.

### Liquidity and Financial Position

Cash and cash equivalents as of March 31, 2009 increased 53.9 percent, or ¥12.65 billion, from a year earlier to ¥36.13 billion.

Net cash provided by operating activities amounted to ¥36.16 billion due to factors that included a significant decline in working capital. In this context, net cash used in investment activities amounted to ¥11.06 billion as a result of purchases of property and equipment as well as investments in securities. Despite cash inflow from proceeds from long-term debt, net cash used in financing activities was ¥5.54 billion. This was largely due to the decrease in short-term loans, net and cash dividends paid.

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥36.16 billion. In the previous fiscal year, net cash used in operating activities was ¥2.58 billion. Although notes and accounts payable amounted to ¥44.47 billion, income before income taxes and minority interests totaled ¥11.18 billion and notes and accounts receivable declined ¥65.43 billion.

#### Cash Flows from Investing Activities

Net cash used in investing activities increased ¥4.06 billion compared to the previous year, to ¥11.06 billion. Purchases of property and equipment totaled ¥9.68 billion and ¥0.94 billion was used to acquire investments in securities.

#### Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5.54 billion. In the previous fiscal year, net cash provided by financing activities totaled ¥10.73 billion. Although proceeds from long-term debt totaled ¥5.02 billion, short-term loans declined ¥7.09 billion and cash dividends paid amounted to ¥3.21 billion.

#### Cash Flow Summary

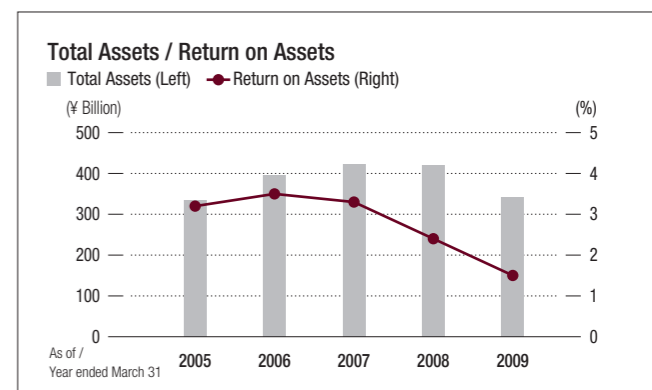
(¥ Billion)			
	2007	2008	2009
Net Cash Provided by (Used in)			
Operating Activities	10.85	(2.58)	36.16
Net Cash Used in Investing Activities	(5.20)	(7.00)	(11.06)
Net Cash Provided by (Used in)			
Financing Activities	(8.42)	10.73	(5.54)

#### Assets

Total assets as of March 31, 2009 decreased 18.8 percent, or ¥78.90 billion, from a year earlier to ¥340.96 billion.

Current assets declined 19.5 percent, or ¥60.46 billion, from a year earlier to ¥249.14 billion. Primary factors included a decline of ¥65.44 billion in trade notes and accounts receivable of unconsolidated subsidiaries and affiliates due to a decrease in net sales.

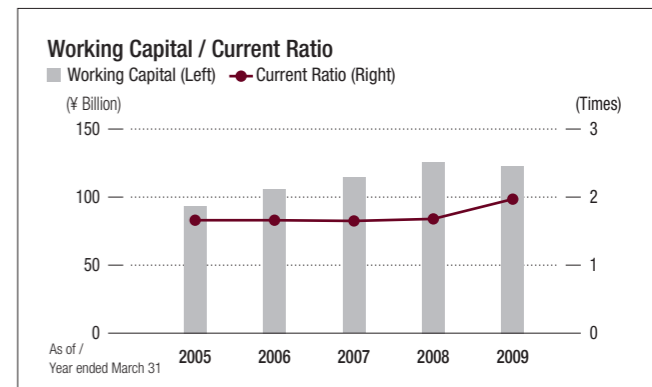
Property, plant and equipment declined 16.7 percent, or ¥18.43 billion, from a year earlier to ¥91.82 billion. Although there was an increase due to the acquisition of property and equipment, this was primarily due to a decline in investments in securities as a result of lower stock prices.



#### Liabilities

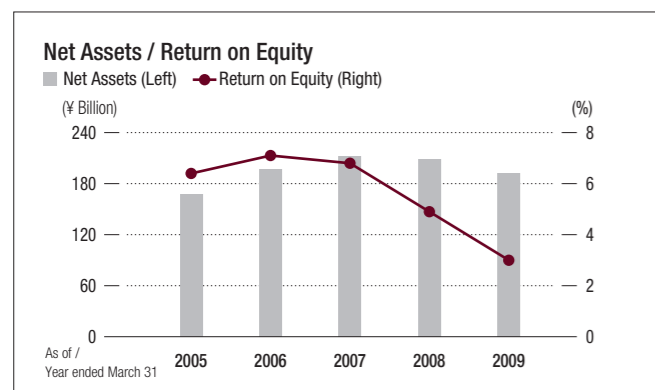
Total liabilities as of March 31, 2009 decreased 29.5 percent, or ¥62.45 billion, from a year earlier to ¥149.03 billion. Current liabilities declined 31.4 percent, or ¥57.68 billion, from a year earlier to ¥126.25 billion. This is primarily due to notes and accounts payable having decreased ¥44.85 billion from the previous year.

Working capital decreased to ¥122.89 billion from ¥125.67 billion a year earlier. The current ratio increased to 1.97 times from 1.68 times a year earlier. Long-term liabilities decreased 17.3 percent, or ¥4.77 billion, from a year earlier to ¥22.78 billion, primarily because of a ¥6.76 billion reduction in deferred income taxes due largely to the decrease in net unrealized holding gain on securities resulting from a decline in share prices.



#### Net Assets

Net assets including minority interests decreased 7.9 percent, or ¥16.44 billion, from a year earlier to ¥191.93 billion. Retained earnings increased ¥2.59 billion from a year earlier due to the posting of net income for the fiscal year, but net unrealized holding gain on securities decreased ¥10.67 billion from a year earlier to ¥7.93 billion. As a result of the above, the shareholders' equity ratio increased 6.3 percentage points to 54.1 percent from 47.8 percent a year earlier.



### Investment in Plant and Equipment

Investment in plant and equipment for the year ended March 31, 2009 centered on manufacturing facilities for manufacturing subsidiaries and totaled ¥9.23 billion.

In the Chemicals segment, investment in plant and equipment totaled ¥1.68 billion and included production facilities for industrial chemicals at manufacturing subsidiaries. In the Plastics segment, investment in plant and equipment totaled ¥1.82 billion and included production facilities and land at Nagase and manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥4.12 billion and included buildings and manufacturing facilities at Nagase and manufacturing subsidiaries. In the Life Sciences segment, investment in plant and equipment totaled ¥0.91 billion and included manufacturing facilities at manufacturing subsidiaries. In the Others segment, investment in plant and equipment totaled ¥0.68 billion. The Nagase Group used both internal and external capital resources to fund capital expenditures.

### Outlook for the Year Ending March 31, 2010

The economic outlook for the fiscal year ending March 31, 2010 is extremely opaque, with predictions difficult as to when the real economy will be on a track to recovery and we will see an end to the worldwide financial turmoil. With regard to Japan's economy as well, it is necessary to give serious consideration as to whether or not pump-priming measures will take hold, and in this situation there are no grounds for optimism.

Based on the above, the outlook for the Nagase Group's performance for the year ending March 31, 2010 is as follows. These performance projections are based on an exchange rate of ¥90 = US\$1.00.

(Announced on April 30, 2009)		(¥ Billion)			
	Net Sales	Operating Income	Ordinary Income	Net Income	
Year ending March 31, 2010 (Projected)	564.0	6.8	7.7	4.8	
Year ended March 31, 2009 (Actual)	715.2	12.5	13.0	5.8	
Increase (decrease)	(21.1)%	(45.6)%	(41.0)%	(17.4)%	

Statements made in this document with respect to the Nagase Group's performance outlook contain forward-looking statements based on assumptions, projections and plans of the Company as of April 30, 2009. Forecasts in connection with the Group's future performance are subject to a variety of risks and uncertainties including those outlined as follows. As a result, readers are advised that actual results may differ materially from projections.

### Operating and Other Risks

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

#### (1) Overall Operating Risk

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

#### (2) Product Market Conditions

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

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

#### (3) Impact of Fluctuations in Foreign Currency Exchange Rates

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

#### (4) Risks Involved in Operating Overseas

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

#### (5) 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.

#### (6) Counterparty Credit Risk

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

#### (7) 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.

#### (8) 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. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers, which could impact the Group's performance and financial position.

#### (9) 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.

# Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries  
March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current assets:</b>			
Cash and time deposits (Note 17)	¥ 26,137	¥ 23,490	\$ 266,080
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,167	1,847	11,880
Trade	165,370	229,998	1,683,498
Other	1,947	2,644	19,821
Less allowance for doubtful accounts	(1,976)	(1,964)	(20,116)
	166,508	232,526	1,695,083
Inventories (Note 4)	40,072	42,946	407,941
Deferred income taxes (Note 9)	2,875	4,620	29,268
Other current assets	13,554	6,030	137,982
Total current assets	249,147	309,615	2,536,364
<b>Property, plant and equipment, at cost:</b>			
Land (Note 7)	11,731	10,517	119,424
Buildings and structures	35,167	31,905	358,007
Machinery and equipment	42,008	40,938	427,649
Leased assets	435	—	4,428
Construction in progress	755	2,080	7,686
	90,098	85,440	917,215
Less accumulated depreciation	(50,890)	(49,602)	(518,070)
Property, plant and equipment, net	39,207	35,837	399,135
<b>Investments and other assets:</b>			
Investments in securities (Notes 5 and 7):			
Unconsolidated subsidiaries and affiliates	11,378	12,638	115,830
Other	33,481	51,081	340,843
	44,859	63,719	456,673
Long-term loans receivable	78	102	794
Deferred income taxes (Note 9)	919	836	9,356
Other assets	7,396	10,086	75,293
Less allowance for doubtful accounts	(641)	(329)	(6,526)
Total investments and other assets	52,612	74,416	535,600
<b>Total assets</b>	<b>¥340,968</b>	<b>¥419,869</b>	<b>\$3,471,119</b>

See accompanying notes to consolidated financial statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Current liabilities:</b>			
Short-term loans (Note 6)	¥ 17,143	¥ 21,153	\$ 174,519
Current portion of long-term debt and finance lease obligations (Note 6)	2,787	3,195	28,372
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	1,392	2,381	14,171
Trade	88,614	132,483	902,107
	90,007	134,864	916,288
Accrued income taxes (Note 9)	1,135	4,288	11,555
Deferred income taxes (Note 9)	33	50	336
Accrued expenses	2,773	4,178	28,230
Accrued bonuses for employees	2,261	2,881	23,017
Accrued bonuses for directors	135	169	1,374
Allowance for voluntary recall expenses	136	572	1,385
Other current liabilities	9,840	12,583	100,173
Total current liabilities	126,255	183,937	1,285,300
<b>Long-term liabilities:</b>			
Long-term debt and finance lease obligations (Note 6)	11,409	8,993	116,146
Deferred income taxes (Note 9)	3,993	10,759	40,649
Accrued retirement benefits for employees (Note 8)	6,888	6,691	70,121
Other liabilities	489	1,110	4,978
Total long-term liabilities	22,781	27,554	231,915
<b>Contingent liabilities (Note 15)</b>			
<b>Net assets:</b>			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 138,408,285 shares in 2009 and 2008	9,699	9,699	98,738
Capital surplus	10,040	10,017	102,209
Retained earnings (Note 19)	168,257	165,664	1,712,888
Less treasury stock, at cost (Note 11)	(5,385)	(5,342)	(54,820)
Total shareholders' equity	182,611	180,039	1,859,015
Valuation and translation adjustments:			
Net unrealized holding gain on securities	7,939	18,613	80,821
Deferred gain (loss) on hedges	64	(20)	652
Translation adjustments	(6,016)	1,922	(61,244)
Total valuation and translation adjustments	1,987	20,515	20,228
Stock acquisition rights	235	183	2,392
Minority interests	7,096	7,639	72,239
Total net assets	191,931	208,377	1,953,894
<b>Total liabilities and net assets</b>	<b>¥340,968</b>	<b>¥419,869</b>	<b>\$3,471,119</b>

## Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 18)	¥715,238	¥764,755	\$ 7,281,258
Cost of sales (Note 13)	643,710	684,248	6,553,090
Gross profit	71,527	80,506	728,158
Selling, general and administrative expenses (Note 13)	59,004	57,443	600,672
Operating income (Note 18)	12,522	23,063	127,476
<b>Other income (expenses):</b>			
Interest and dividend income	1,431	1,538	14,568
Interest expense	(1,032)	(1,060)	(10,506)
Equity in (losses) earnings of affiliates	(520)	437	(5,294)
Gain on sales of investments in securities	19	2,635	193
Loss on devaluation of investments in securities	(1,235)	(61)	(12,573)
Loss on change in equity interest	(409)	—	(4,164)
Gain on sales of property and equipment	18	9	183
Loss on disposal of property and equipment	(546)	(111)	(5,558)
Impairment loss on fixed assets	—	(229)	—
Voluntary recall expense of goods	—	(6,480)	—
Compensation	439	—	4,469
Other, net	497	523	5,060
Income before income taxes and minority interests	11,183	20,264	113,845
<b>Income taxes (Note 9):</b>			
Current	4,702	7,987	47,867
Deferred	104	1,111	1,059
Income before minority interests	6,376	11,165	64,909
Minority interests	568	1,159	5,782
Net income	¥ 5,808	¥ 10,005	\$ 59,127

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

Nagase & Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
<b>Balance at March 31, 2007</b>	¥9,699	¥ 9,926	¥156,749	¥(5,413)	¥170,961	¥ 32,348	¥ 0	¥ 1,772	¥123	¥6,465	¥211,672
Net income for the year	—	—	10,005	—	10,005	—	—	—	—	—	10,005
Gain on sales of treasury stock	—	91	—	—	91	—	—	—	—	—	91
Increase in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	219	—	219	—	—	—	—	—	219
Decrease in retained earnings resulting from inclusion of subsidiaries in consolidation	—	—	(7)	—	(7)	—	—	—	—	—	(7)
Increase in retained earnings resulting from increase in companies accounted for by the equity method	—	—	45	—	45	—	—	—	—	—	45
Cash dividends	—	—	(1,348)	—	(1,348)	—	—	—	—	—	(1,348)
Purchases of treasury stock	—	—	—	(32)	(32)	—	—	—	—	—	(32)
Disposition of treasury stock	—	—	—	103	103	—	—	—	—	—	103
Other	—	—	—	—	—	(13,735)	(20)	149	59	1,174	(12,371)
<b>Balance at March 31, 2008</b>	9,699	10,017	165,664	(5,342)	180,039	18,613	(20)	1,922	183	7,639	208,377
Net income for the year	—	—	5,808	—	5,808	—	—	—	—	—	5,808
Gain on sales of treasury stock	—	22	—	—	22	—	—	—	—	—	22
Cash dividends	—	—	(3,215)	—	(3,215)	—	—	—	—	—	(3,215)
Purchases of treasury stock	—	—	—	(97)	(97)	—	—	—	—	—	(97)
Disposition of treasury stock	—	—	—	53	53	—	—	—	—	—	53
Change of interest in an affiliate accounted for by the equity method	—	—	—	1	1	—	—	—	—	—	1
Other	—	—	—	—	—	(10,673)	85	(7,939)	52	(543)	(19,018)
<b>Balance at March 31, 2009</b>	¥9,699	¥10,040	¥168,257	¥(5,385)	¥182,611	¥ 7,939	¥ 64	¥(6,016)	¥235	¥7,096	¥191,931

	Thousands of U.S. dollars (Note 1)										
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Stock acquisition rights	Minority interests	Total net assets
<b>Balance at March 31, 2008</b>	\$98,738	\$101,975	\$1,686,491	\$(54,383)	\$1,832,831	\$ 189,484	\$(204)	\$ 19,566	\$1,863	\$77,766	\$2,121,317
Net income for the year	—	—	59,127	—	59,127	—	—	—	—	—	59,127
Gain on sales of treasury stock	—	224	—	—	224	—	—	—	—	—	224
Cash dividends	—	—	(32,729)	—	(32,729)	—	—	—	—	—	(32,729)
Purchases of treasury stock	—	—	—	(987)	(987)	—	—	—	—	—	(987)
Disposition of treasury stock	—	—	—	540	540	—	—	—	—	—	540
Change of interest in an affiliate accounted for by the equity method	—	—	—	10	10	—	—	—	—	—	10
Other	—	—	—	—	—	(108,653)	865	(80,821)	529	(5,528)	(193,607)
<b>Balance at March 31, 2009</b>	\$98,738	\$102,209	\$1,712,888	\$(54,820)	\$1,859,015	\$ 80,821	\$ 652	\$(61,244)	\$2,392	\$72,239	\$1,953,894

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries  
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
<b>Operating activities</b>			
Income before income taxes and minority interests	¥ 11,183	¥ 20,264	\$ 113,845
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,425	5,131	55,228
Impairment loss on fixed assets	—	229	—
Provision for (reversal of) accrued retirement benefits for employees, net of payments	196	(168)	1,995
Interest and dividend income	(1,431)	(1,538)	(14,568)
Interest expense	1,032	1,060	10,506
Exchange (gain) loss, net	(152)	344	(1,547)
Loss on sales of property and equipment, net	63	1	641
Gain on sales of investments in securities, net	(7)	(2,324)	(71)
Loss on devaluation of investments in securities	1,235	61	12,573
Changes in operating assets and liabilities:			
Notes and accounts receivable	65,436	(13,106)	666,151
Prepaid pension expense	2,156	(81)	21,948
Inventories	2,441	259	24,850
Notes and accounts payable	(44,476)	(5,871)	(452,774)
Allowance for voluntary recall expenses	(435)	572	(4,428)
Other, net	626	(572)	6,373
Subtotal	43,294	4,260	440,741
Interest and dividends received	1,714	1,887	17,449
Interest paid	(1,003)	(1,058)	(10,211)
Income taxes paid	(7,843)	(7,677)	(79,843)
Net cash provided by (used in) operating activities	36,161	(2,586)	368,126
<b>Investing activities</b>			
Purchases of property and equipment	(9,681)	(7,311)	(98,554)
Proceeds from sales of property and equipment	92	44	937
Purchases of investments in securities	(945)	(2,150)	(9,620)
Proceeds from sales of investments in securities	621	4,466	6,322
Purchases of investments in capital	(329)	(401)	(3,349)
Decrease (increase) in short-term loans receivable, net	11	(15)	112
Purchases of intangible fixed assets	(814)	(1,622)	(8,287)
Other, net	(17)	(19)	(173)
Net cash used in investing activities	(11,062)	(7,009)	(112,613)
<b>Financing activities</b>			
(Decrease) increase in short-term loans, net	(7,095)	6,260	(72,228)
Proceeds from long-term debt	5,020	5,933	51,105
Cash dividends paid	(3,422)	(1,551)	(34,837)
Other, net	(51)	96	(519)
Net cash (used in) provided by financing activities	(5,549)	10,738	(56,490)
Effect of exchange rate changes on cash and cash equivalents	(6,897)	(28)	(70,213)
Net increase in cash and cash equivalents	12,651	1,114	128,790
Cash and cash equivalents at beginning of the year	23,486	21,919	239,092
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	452	—
Cash and cash equivalents at end of the year (Note 17)	¥ 36,137	¥ 23,486	\$ 367,882

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries  
March 31, 2009

## 1. BASIS OF PREPARATION

Nagase & Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and their records in accordance with accounting principles generally accepted in Japan. The overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared for domestic reporting purposes and have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan, which is different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

In addition, certain reclassifications of previously stated amounts have been made

to conform the consolidated financial statements for the year ended March 31, 2008 to the 2009 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥98.23=U.S.\$1.00, the rate of exchange prevailing on March 31, 2009. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2009 and 2008 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2009 and 2008 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies that it controls directly or indirectly. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

### (b) Foreign Currency Translation

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

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

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding minority interests are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" in a component of net assets in the accompanying consolidated balance sheets.

### (c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

### (d) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined by the weighted-average method.

### (e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable

equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

All securities held by the Company and its consolidated subsidiaries are classified as "other securities" and have been accounted for as outlined above.

### (f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method over the useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or subsequent to April 1, 1998.

Property, plant and equipment owned by certain consolidated subsidiaries are depreciated by the straight-line method.

### (Supplementary information)

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

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

Effective the year ended March 31, 2008, depreciation expense for property, plant and equipment acquired before April 1, 2007 is computed based on the salvage value of 5% of acquisition cost, and the amount between the salvage value (5% of acquisition cost) and memorandum value is depreciated from the year following the year in which the book value of such property, plant and equipment reaches 5% of their respective acquisition cost by the straight-line method over a period of 5 years. This change was made based on an amendment to the Corporation Tax Law. As a result, operating income and income before income taxes and minority interests decreased by ¥176 million for the year ended March 31, 2008 from the corresponding amounts that would have been recorded under the previous method.

### (g) Computer Software (except for leased assets)

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

### (h) Goodwill and Negative Goodwill

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

### (i) Leased Assets

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



the contract as the useful life.

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

**(j) Allowance for Doubtful Receivables**

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

**(k) Income Taxes**

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the enacted tax laws.

**(l) Accrued Bonuses for Employees**

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

**(m) Accrued Bonuses for Directors**

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

**(n) Retirement Benefits**

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

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

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

**(o) Allowance for Voluntary Recall Expenses**

The Company has made provision for voluntary recall expenses for certain products at an estimated amount based on the progress of the recall and associated expenses including storage, shipping and communication costs incurred during the period from initial customer notification up to the balance sheet dates.

*(Supplementary information)*

In July 2007, the Company began a voluntary recall of portable DVD players and other similar goods with LCD screens. The reason for the recall was that, in rare cases, the frames of the LCDs of the portable DVD players became overheated, resulting in product deformation, emissions of smoke and an increased risk of fire.

As a result of a careful analysis of the status of the recall, actual expenses incurred during the period from initial customer notification up to March 31, 2008, and projected

costs in consideration of issues including the life cycle of the DVD players, "Voluntary recall of goods" included in "Other expenses" amounted to ¥6,480 million for the fiscal year ended March 31, 2008.

On the other hand, in preparing its semiannual consolidated financial statements for the six months ended September 30, 2007, the Company conservatively charged the maximum estimated cost of the recall to income as a non-recurring item entitled "Voluntary recall expense of goods" amounting to ¥14,305 million included in "Other expenses" in the semiannual consolidated financial statements for the six months then ended.

**(p) Derivatives and Hedging Activities**

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

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

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

Receivables and payables hedged by forward foreign exchange contracts are translated at the corresponding foreign exchange contract rates.

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

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

**(q) Research and Development Expenses**

Research and development expenses are charged to income when incurred.

**(r) Distributions of Retained Earnings**

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 19.)

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

**(c) Accounting Policies Applied to Overseas Subsidiaries**

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

**(d) Depreciation**

Effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result of this change, operating income, and income before

income taxes and minority interests decreased by ¥188 million for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the method applied in the previous year. The effect on segment information is presented in Note 18.

**4. INVENTORIES**

Inventories at March 31, 2009 and 2008 are summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise and finished goods	¥37,303	¥38,705	\$379,752
Work in process	448	1,103	4,561
Raw materials and supplies	2,320	3,138	23,618
Total	¥40,072	¥42,946	\$407,941

**5. INVESTMENTS IN SECURITIES**

(a) Marketable securities classified as other securities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen							
	2009				2008			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:								
Stock	¥18,735	¥15,426	¥(2,077)	¥32,084	¥19,728	¥29,481	¥(148)	¥49,061
Government bonds	14	0	—	14	14	—	—	14
Total	¥18,749	¥15,426	¥(2,077)	¥32,099	¥19,743	¥29,481	¥(148)	¥49,076

	Thousands of U.S. dollars			
	2009			
	Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable				
Stock	\$190,726	\$157,040	\$(21,144)	\$326,621
Government bonds	143	0	—	143
Total	\$190,868	\$157,040	\$(21,144)	\$326,774

(b) Securities classified as other securities for which market value was not determinable at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Market value not determinable:	Carrying value	Carrying value	Carrying value
Equity securities	¥1,380	¥2,003	\$14,049
Bonds and debentures	0	0	0
Total	¥1,380	¥2,003	\$14,049

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Proceeds from sales	¥530	¥4,472	\$5,396
Gain on sales	19	2,635	193
Loss on sales	0	310	0

**3. CHANGES IN ACCOUNTING POLICIES**

**(a) Changes in Method of Accounting for Measuring of Inventories**

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

Effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value. As a result, gross profit and operating income and income before income taxes and minority interests decreased by ¥586 million (\$5,966 thousand) for the year ended March 31, 2009 from the corresponding amounts that would have been recorded under the previous method. The effect on segment information is presented in Note 18.

**(b) Application of Accounting Standard for Leases**

Effective the year ended March 31, 2009, the Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 originally issued by the First Committee of the Business Accounting

(d) The redemption schedule at March 31, 2009 for securities which have maturity dates classified as other securities is summarized as follows:

Other securities which have maturity dates:	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Government bonds	¥—	¥14	¥—	¥—	\$—	\$143	\$—	\$—
Total	¥—	¥14	¥—	¥—	\$—	\$143	\$—	\$—

## 6. SHORT-TERM LOANS, LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Short-term loans at March 31, 2009 and 2008 principally represented notes and loans in the form of deeds at weighted-average annual interest rates of 3.89% and 4.58% per annum, respectively.

Long-term debt and finance lease obligations at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unsecured loans from banks and insurance companies, payable in yen and euro, due through 2018, at rates from 1.62% to 7.40%	¥13,797	¥12,188	\$140,456
Lease obligations	399	—	4,062
	14,196	12,188	144,518
Less current portion	(2,787)	(3,195)	(28,372)
Total	¥11,409	¥ 8,993	\$116,146

The aggregate annual maturities of long-term debt and finance lease obligations subsequent to March 31, 2009 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 2,787	\$ 28,372
2011	201	2,046
2012	703	7,157
2013	5,847	59,524
2014 and thereafter	4,655	47,389
Total	¥14,196	\$144,518

## 7. PLEDGED ASSETS

At March 31, 2009, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Land	¥ 671	\$ 6,831
Investments in securities	1,324	13,479
Total	¥1,995	\$20,309

## 8. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit pension plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2009 and 2008 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Retirement benefit obligation	¥(21,581)	¥(22,058)	\$ (219,699)
Plan assets at fair value	15,025	16,741	152,957
Unfunded retirement benefit obligation	(6,555)	(5,317)	(66,731)
Unrecognized actuarial loss	1,055	2,170	10,740
Net retirement benefit obligation	(5,500)	(3,146)	(55,991)
Prepaid pension expense	(1,388)	(3,545)	(14,130)
Accrued retirement benefits recognized in the consolidated balance sheets	¥ (6,888)	¥ (6,691)	\$ (70,121)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2009 and 2008 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost	¥1,128	¥1,069	\$11,483
Interest cost	471	475	4,795
Expected return on plan assets	(302)	(667)	(3,074)
Amortization of actuarial loss	2,147	105	21,857
Loss on transition to a defined contribution pension plan	13	—	132
Contributions to defined contribution pension plans	49	46	499
Retirement benefit expenses	¥3,507	¥1,030	\$35,702

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	Mainly 2.5%	Mainly 2.5%
Expected rates of return on plan assets	Mainly 2.5%	Mainly 4.0%

## 9. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in a statutory tax rate of approximately 40.7% for the years ended March 31, 2009 and 2008.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2009 and 2008 differ from the statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.7%	40.7%
Effect of:		
Expenses not deductible for income tax purposes	6.5	3.3
Dividends and other income deductible for income tax purposes	(7.6)	(4.0)
Net adjustment resulting from elimination of dividend income upon consolidation	12.2	6.5
Different tax rates applied at overseas subsidiaries	(10.9)	(6.9)
Tax credit	(6.7)	(3.5)
Valuation allowance	1.9	15.4
Other, net	6.9	(6.6)
Effective tax rates	43.0%	44.9%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the corresponding amounts for income purposes. The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Unrealized gain on inventories	¥ 397	¥ 427	\$ 4,042
Allowance for doubtful receivables	732	687	7,452
Investments in securities	3,454	3,233	35,162
Accrued bonuses for employees	873	1,159	8,887
Accrued retirement benefits for employees	3,082	1,529	31,375
Voluntary recall expense of goods	65	1,801	662
Other	2,395	2,218	24,382
Gross deferred tax assets	11,001	11,057	111,992
Valuation allowance	(4,089)	(3,878)	(41,627)
Total deferred tax assets	¥ 6,911	¥ 7,178	\$ 70,355
Deferred tax liabilities:			
Revaluation of land	¥ (371)	¥ (384)	\$ (3,777)
Deferred capital gain on property	(1,215)	(1,255)	(12,369)
Net unrealized holding gain on securities	(5,193)	(10,529)	(52,866)
Other	(364)	(361)	(3,706)
Total deferred tax liabilities	(7,145)	(12,531)	(72,737)
Net deferred tax liabilities	¥ (233)	¥ (5,352)	\$ (2,372)

## 10. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2009 and 2008 amounted to ¥2,424 million (\$24,677 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

## 11. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2009 and 2008 are summarized as follows:

	Number of shares			
	2009			
	March 31, 2008	Increase	Decrease	March 31, 2009
Treasury stock	9,844,934	103,942	102,287	9,846,589
	2008			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock	10,012,431	22,429	189,926	9,844,934

## 12. SHARE-BASED COMPENSATION

At March 31, 2009, the Company had five stock option plans: the 2004, 2005, 2006, 2007 and 2008 stock option plans.

The 2004 stock option plan (the 2004 plan) was approved by shareholders of the Company on June 29, 2004. The 2004 plan provided for granting options to purchase 759,000 shares of common stock to directors, corporate auditors, executive officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,023 (\$10.41) per share at March 31, 2009. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2006 and are scheduled to expire on July 31, 2009.

The 2005 stock option plan (the 2005 plan) was approved by shareholders of the Company on June 28, 2005. The 2005 plan provided for granting options to purchase 762,000 shares of common stock to directors, corporate auditors, executive officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,169 (\$11.90) per share at March 31, 2009. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2007 and are scheduled to expire on July 31, 2010.

The 2006 stock option plan (the 2006 plan) was approved by shareholders of the Company on June 28, 2006. The 2006 plan provided for granting options to purchase 781,000 shares of common stock to directors, executive officers, technology officers

and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,510 (\$15.37) per share at March 31, 2009. This exercise price is subject to adjustment in certain cases which include stock splits. The options became exercisable on August 1, 2008 and are scheduled to expire on July 31, 2011.

The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 27, 2007. The 2007 plan provided for granting options to purchase 419,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,647 (\$16.77) per share at March 31, 2009. This exercise price is subject to adjustment in certain cases which include stock splits. The options become exercisable on August 1, 2009 and are scheduled to expire on July 31, 2012.

The 2008 stock option plan (the 2008 plan) was approved by shareholders of the Company on June 26, 2008. The 2008 plan provided for granting options to purchase 421,000 shares of common stock to directors, executive officers, technology officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,114 (\$11.34) per share at March 31, 2009. This exercise price is subject to adjustment in certain cases which include stock splits. The options become exercisable on August 1, 2010 and are scheduled to expire on July 31, 2013.

Information regarding the Company's stock option plans is summarized as follows:

	The 2004 plan	The 2005 plan	The 2006 plan	The 2007 plan	The 2008 plan
Number of shares:					
Outstanding at March 31, 2007	355,000	762,000	781,000	—	—
Granted	—	—	—	419,000	—
Expired	—	3,000	—	—	—
Exercised	117,000	46,000	—	—	—
Outstanding at March 31, 2008	238,000	713,000	781,000	419,000	—
Granted	—	—	—	—	421,000
Expired	—	—	—	—	—
Exercised	—	—	—	—	—
Outstanding at March 31, 2009	238,000	713,000	781,000	419,000	421,000
	(In yen)				
Weighted average price when exercised	—	—	—	—	—
Fair value of options as of the grant date	—	—	¥158	¥143	¥124
	(In U.S. dollars)				
Weighted average price when exercised	—	—	—	—	—
Fair value of options as of the grant date	—	—	\$1.61	\$1.46	\$1.26

## 13. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2009 and 2008 totaled ¥2,985 million (\$30,388 thousand) and ¥2,927 million, respectively.

## 14. LEASES

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets under finance lease contracts, commencing on or before March 31, 2008, that do not transfer ownership to the lessee at March 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen							
	2009				2008			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	¥135	¥ 79	¥34	¥20	¥138	¥ 59	¥43	¥ 36
Furniture and fixtures	141	94	—	47	174	107	—	66
Software included in other assets	48	19	—	29	48	10	—	38
Total	¥326	¥193	¥34	¥97	¥361	¥177	¥43	¥141

	Thousands of U.S. dollars			
	2009			
	Acquisition costs	Accumulated depreciation	Accumulated impairment loss on fixed assets	Net book value
Machinery, equipment and vehicles	\$ 1,374	\$ 804	\$346	\$204
Furniture and fixtures	1,435	957	—	478
Software included in other assets	489	193	—	295
Total	\$ 3,319	\$ 1,965	\$346	\$987

The related lease payments, depreciation and interest expenses related to finance leases accounted for as operating leases for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Lease payments	¥71	¥94	\$ 723
Reversal of impairment loss	8	8	81
Depreciation expense	61	80	621
Interest expense	8	9	81

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

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2009 under finance leases other than those which transfer the ownership of the leased assets to the Company and its consolidated subsidiaries are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 54	\$ 550
2011 and thereafter	88	896
Total	¥142	\$1,446

## 15. CONTINGENT LIABILITIES

At March 31, 2009, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥507 million (\$5,161 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥64 million (\$652 thousand).

In addition, at March 31, 2009, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥365 million (\$3,716 thousand).

## 16. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2009	2008	2009
Net income:			
Basic	¥ 45.17	¥ 77.86	\$ 0.46
Diluted	45.17	77.79	0.46
Net assets	1,435.88	1,559.97	14.62
Cash dividends applicable to the year	16.00	17.00	0.16

Basic net income per share has been computed based on the net income available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the net income available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of

common stock to be issued upon the exercise of the stock options. The amounts per share of net assets have been computed based on the number of shares of common stock outstanding at the year end.

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

The financial data used in the computation of basic net income per share and diluted net income per share for the years ended March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net income	¥5,808	¥10,005	\$59,127
Adjusted net income available for distribution to shareholders of common stock	¥5,808	¥10,005	\$59,127
Weighted-average number of shares	128,570,992	128,515,225	
Effect of dilutive securities	6,057	107,611	

## 17. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2009 and 2008 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and time deposits	¥26,137	¥23,490	\$266,080
Time deposits maturing after three months	—	(3)	—
Marketable securities maturing within three months	10,000	—	101,802
Cash and cash equivalents	¥36,137	¥23,486	\$367,882

## 18. SEGMENT INFORMATION

The Company has five business segments: Chemicals, which includes coloring materials, information recording products, chemicals for paper manufacturing, petrochemical products, compounding materials, pigments, coatings, additives for paints and inks, and materials for cosmetics and toiletries; Plastics, which includes thermoplastics, thermoset resins, synthetic rubber, inorganic materials, auxiliaries, plastic products, and plastic-related equipment, devices and dies; Electronics, which includes liquid crystal display and semiconductor processing materials and equipment, large-scale-integration assembly materials and equipment, precision cleaning agents for electronics, communications devices,

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

The business and geographical segment information and the overseas sales of the Company and its consolidated subsidiaries for the years ended March 31, 2009 and 2008 are outlined as follows:

### (a) Business Segment Information

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

	Millions of yen							
	Year ended March 31, 2008							
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥267,836	¥274,660	¥163,833	¥56,489	¥1,934	¥764,755	¥ —	¥764,755
Intersegment sales	45	195	159	22	4,957	5,380	(5,380)	—
Net sales	267,881	274,856	163,992	56,512	6,892	770,135	(5,380)	764,755
Operating expenses	259,943	268,718	156,960	54,842	6,934	747,398	(5,707)	741,691
Operating income (loss)	¥ 7,938	¥ 6,138	¥ 7,031	¥ 1,669	¥ (41)	¥ 22,736	¥ 326	¥ 23,063
Total assets	¥133,053	¥126,049	¥ 88,262	¥32,172	¥5,324	¥384,862	¥35,007	¥419,869
Depreciation and amortization	1,268	1,041	1,946	665	209	5,131	—	5,131
Capital expenditures	2,297	1,036	3,684	1,670	1,196	9,885	—	9,885

	Thousands of U.S. dollars							
	Year ended March 31, 2009							
	Chemicals	Plastics	Electronics	Life Sciences	Others	Total	Eliminations or corporate	Consolidated
Sales to customers	\$2,529,380	\$2,575,883	\$1,560,165	\$599,664	\$16,136	\$7,281,258	\$ —	\$7,281,258
Intersegment sales	458	1,863	2,820	183	49,730	55,065	(55,065)	—
Net sales	2,529,838	2,577,756	1,562,985	599,857	65,866	7,336,323	(55,065)	7,281,258
Operating expenses	2,475,415	2,552,876	1,531,966	587,957	64,206	7,212,440	(58,668)	7,153,772
Operating income	\$ 54,423	\$ 24,870	\$ 31,009	\$ 11,901	\$ 1,649	\$ 123,873	\$ 3,594	\$ 127,476
Total assets	\$1,155,299	\$1,052,112	\$ 749,659	\$357,233	\$47,460	\$3,361,794	\$109,315	\$3,471,119
Depreciation and amortization	12,674	9,824	21,602	8,531	2,565	55,228	—	55,228
Capital expenditures	19,851	21,165	43,754	10,129	7,299	102,209	—	102,209

As discussed in Note 3(a), effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value. As a result, operating income decreased by ¥140 million (\$1,425 thousand) in the Chemicals segment, by ¥35 million (\$356 thousand) in the Plastics segment, by ¥67 million (\$682 thousand) in the Electronics segment and by ¥343 million (\$3,492 thousand) in the Life Sciences segment for the year ended March 31, 2009 from the corresponding amounts that would have been recorded under the previous method.

As discussed in Note 3(d), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥36 million in the Chemicals segment, by ¥53 million in the Plastics segment, by ¥62 million in the Electronics segment, by ¥27 million in the Life Sciences segment, and by ¥8 million in the Others segment over the corresponding amounts which would have been recorded under the method applied in the previous year. At the same time, operating income or loss for each segment decreased or increased, respectively, by the same amount as that of the

corresponding increase in operating expenses as a result of this change compared to the amount which would have been recorded under the method applied in the previous year.

In addition, as discussed in Note 2(f), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate the difference between 5% of acquisition cost of property, plant and equipment acquired on or before March 31, 2007 and memorandum value by the straight-line method over a five-year period, commencing from the year following the year in which the book value of such property, plant and equipment reaches 5% of acquisition cost. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥50 million in the Chemicals segment, by ¥40 million in the Plastics segment, by ¥57 million in the Electronics segment, by ¥23 million in the Life Sciences segment, and by ¥4 million in the Others segment over the corresponding amounts which would have been recorded under the method applied in the previous year. At the same time, operating income or loss for each segment decreased or increased, respectively, by the same amount as that of the corresponding increase in operating expenses as a result of this change compared to the amount which would have been recorded under the method applied in the previous year.

### (b) Geographical Segment Information

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

	Millions of yen							
	Year ended March 31, 2008							
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total	Eliminations or corporate	Consolidated
Sales to customers	¥497,196	¥144,282	¥85,464	¥23,205	¥14,605	¥764,755	¥ —	¥764,755
Intersegment sales	80,519	15,261	3,165	1,836	3,317	104,099	(104,099)	—
Net sales	577,715	159,543	88,629	25,042	17,922	868,854	(104,099)	764,755
Operating expenses	564,198	154,175	85,613	24,734	17,094	845,815	(104,123)	741,691
Operating income	¥ 13,517	¥ 5,368	¥ 3,016	¥ 307	¥ 828	¥ 23,039	¥ 23	¥ 23,063
Total assets	¥306,308	¥ 57,211	¥30,405	¥ 6,151	¥ 8,118	¥408,195	¥ 11,674	¥419,869

Thousands of U.S. dollars

	Year ended March 31, 2009							Eliminations or corporate	Consolidated
	Japan	Northeast Asia	Southeast Asia	North America	Europe & Others	Total			
Sales to customers	\$ 4,582,113	\$ 1,543,541	\$ 795,684	\$ 193,627	\$ 166,273	\$ 7,281,258	\$ —	\$ 7,281,258	
Intersegment sales	612,898	133,147	29,604	15,820	39,285	830,765	(830,765)	—	
Net sales	5,195,012	1,676,698	825,288	209,447	205,558	8,112,023	(830,765)	7,281,258	
Operating expenses	5,142,431	1,631,284	804,235	206,780	200,122	7,984,882	(831,111)	7,153,772	
Operating income	\$ 52,570	\$ 45,404	\$ 21,042	\$ 2,657	\$ 5,426	\$ 127,140	\$ 336	\$ 127,476	
Total assets	\$ 2,681,879	\$ 441,881	\$ 235,173	\$ 42,431	\$ 66,721	\$ 3,468,105	\$ 3,003	\$ 3,471,119	

As discussed in Note 3(a), effective the year ended March 31, 2009, as the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 issued on July 5, 2006) has been applied, inventories are stated at the lower of cost or net selling value. As a result, operating income decreased by ¥586 million (\$5,966 thousand) in the Japan segment for the year ended March 31, 2009 from the corresponding amount that would have been recorded under the previous method.

As discussed in Note 3(d), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries have changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥188 million in the Japan segment over the amount which would have been recorded under the method applied in the previous year. At the same time, operating income in the Japan segment decreased by the same amount as that of the corresponding increase in operating

expenses as a result of this change from the amount which would have been recorded under the method applied in the previous year.

In addition, as discussed in Note 2(f), effective the year ended March 31, 2008, pursuant to an amendment to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries depreciate the difference between 5% of acquisition cost of property, plant and equipment acquired on or before March 31, 2007 and memorandum value by the straight-line method over a five-year period, commencing from the year following the year in which the book value of such property, plant and equipment reaches 5% of acquisition cost. The depreciated amounts are included in depreciation expense. As a result of this change, operating expenses for the year ended March 31, 2008 increased by ¥176 million in the Japan segment over the amount which would have been recorded under the method applied in the previous year. At the same time, operating income decreased by the same amount as that of the corresponding increase in operating expenses as a result of this change from the amount which would have been recorded under the previous method.

(c) Overseas Sales

Millions of yen

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

Millions of yen

	Year ended March 31, 2008				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	¥188,305	¥99,041	¥25,686	¥18,908	¥331,942
Consolidated net sales					¥764,755
Overseas sales as a percentage of consolidated net sales	24.6%	12.9%	3.4%	2.5%	43.4%

Thousands of U.S. dollars

	Year ended March 31, 2009				
	Northeast Asia	Southeast Asia	North America	Europe & Others	Total
Overseas sales	\$ 1,914,710	\$ 911,911	\$ 221,755	\$ 212,980	\$ 3,261,366
Consolidated net sales					\$ 7,281,258

19. SUBSEQUENT EVENT

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2009, was approved at a meeting of the shareholders held on June 25, 2009:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥8.0 = U.S.\$0.08 per share)	¥1,028	\$10,465



Ernst & Young ShinNihon LLC

The Board of Directors  
NAGASE & CO., LTD.

We have audited the accompanying consolidated balance sheets of NAGASE & CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NAGASE & CO., LTD. and consolidated subsidiaries at March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

Osaka, Japan  
June 25, 2009

# Major Consolidated Subsidiaries, Affiliates and Offices

● Consolidated subsidiary ○ Company accounted for under the equity method

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
<b>JAPAN</b>							
<b>Manufacturing</b>							
●	Nagase ChemteX Corp.	Manufacture of epoxy resins, enzymes, industrial chemicals	2,474	1970	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2582 Fax: 06-6535-2174
●	Nagase Medicals Co., Ltd.	Manufacture of pharmaceuticals	498	1972	100.0	4-323, Senzo, Itami-City, Hyogo	Tel: 072-778-7501 Fax: 072-778-7506
●	Totaku Industries, Inc.	Manufacture and sale of plastic products	270	1952	77.1	1-33, Mitsuya Minami 1-chome, Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6308-8300 Fax: 06-6308-7020
○	Honshu Rheem Co., Ltd.	Manufacture and sale of fiber drums, import and sale of food processing machines and materials	100	1968	40.0	8-11, Minami Hashimoto 4-chome, Sagamihara-City, Kanagawa	Tel: 042-773-3111 Fax: 042-774-4369
○	Gigatec Inc.	Design, manufacture and sale of high-frequency power amplifiers	97	1989	41.2	625, Shimo Ooshimamachi, Takasaki-City, Gunma	Tel: 027-343-1590 Fax: 027-343-3365
○	Toyo Beauty Supply Corp.	Contract manufacture of cosmetics	40	1964	40.0	3-10, Nihonbashi-Hongokuchō 3-chome, Chuo-ku, Tokyo	Tel: 03-3241-1410 Fax: 03-3270-6338
○	eX . Grade Co., Ltd.	Development, manufacture and sale of components for electronic equipment	23	2003	30.4	5F, Daido-Showacho Dai 2 Bldg., 1-30, Showacho 5-chome, Abeno-ku, Osaka-City, Osaka	Tel: 06-6623-7633 Fax: 06-6623-7638
○	Sun Delta Corporation	Development of applications for plastic products and manufacture and sale of processed products	490	2005	50.0	5F, Jimbocho Mitsui Bldg., 1-105, Kanda-Jinbocho, Chiyoda-ku, Tokyo	Tel: 03-3296-3210 Fax: 03-3296-3489
	Nagase Filters Co., Ltd.	Planning, production, processing, quality testing and sale of metal filters	80	2006	100.0	4-9-6, Takaida Naka, Higashi Osaka-City, Osaka	Tel: 06-6782-3324 Fax: 06-6782-3304
	SN Tech Corporation	Manufacture of developer, recycling business	250	2008	40.0 (5.0)	6-27, Mizuhai 5-chome, Higashi Osaka-City, Osaka	Tel: 06-6268-0145 Fax: 06-6268-0181
<b>Processing</b>							
●	Kotobuki Kasei Corp.	Molding, processing and sale of plastic products	20	1972	100.0 (42.5)	7-9, Satsukicho, Kanuma-City, Tochigi	Tel: 0289-72-0112 Fax: 0289-72-0114
●	Setsunan Kasei Co., Ltd.	Coloring and sale of plastics	300	1966	100.0	2-22, Takaida Nishi 5-chome, Higashi Osaka-City, Osaka	Tel: 06-6783-5231 Fax: 06-6783-5228
○	Kyoraku Co., Ltd.	Manufacture, processing and sale of plastic products	200	1917	26.0	Kawaramachi Chuo Bldg., 3-10, Kawaramachi 2-chome, Chuo-ku, Osaka-City, Osaka	Tel: 06-6203-1301 Fax: 06-6203-1309
<b>Servicing</b>							
●	Nagase Information Development, Ltd.	Software development and maintenance	30	1987	100.0	5F, Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3231-3581 Fax: 03-3231-3584
●	NCK Ltd.	Small-lot repackaging of industrial-use resins and curing agents, etc., filter cleaning, management of special containers	10	1985	100.0 (100.0)	236, Nakai, Tatsuno-cho, Tatsuno-City, Hyogo	Tel: 0791-63-4842 Fax: 0791-63-4913
●	Nagase Techno-Engineering Co., Ltd.	Manufacture, sale and maintenance of low-temperature vacuum equipment, systems for chemical supply management and recycling processes, inspection systems, and the peripheral equipment for each of these.	45	1989	100.0	5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6324-7626 Fax: 06-6324-7680
●	Nagase Logistics Co., Ltd.	Warehousing and distribution	401	1982	100.0	4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-City, Hyogo	Tel: 06-6427-8651 Fax: 06-6427-8772
●	Nagase General Service Co., Ltd.	Sale and lease of various goods, real estate administration	20	1983	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2131 Fax: 06-6535-2124
●	Nagase Trade Management Co., Ltd.	Business agent for foreign trade documentation	20	1996	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3125 Fax: 03-3665-3286
●	Hoei Techno Service Co., Ltd.	Duplication and processing of computer software, warehousing and distribution	50	1991	100.0 (100.0)	2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3274-7875 Fax: 03-3274-7884
○	Nagase Landauer, Ltd.	Radiation measuring services	88	1974	50.0	11-6, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo	Tel: 03-3666-4300 Fax: 03-3662-9518
○	Nippon Vopac Co., Ltd.	Warehousing, motor truck carrier business and freight transportation services	404	1966	19.9	5-7, Kajicho 1-chome, Chiyoda-ku, Tokyo	Tel: 03-3254-9571 Fax: 03-3254-9566
	Design & Die Co., Ltd.	Design, manufacture and sale of automotive components and plastic products	50	2002	51.0	c/o Tatematsu Mold Industry, 27, Okuda Oosawacho, Inazawa-City, Aichi	Tel: 0587-32-6281 Fax: 0587-32-5392
	Choko Co., Ltd.	Insurance agency	15	1971	37.7	11F, Toho Bldg., 1-13, Nishi Shinsaibashi 1-chome, Chuo-ku, Osaka-City, Osaka	Tel: 06-6244-0125 Fax: 06-6258-3385
	ON Co-Labo Corporation	Promotion and handling of overseas textile related business	70	2007	50.0	1-43, Miyahara 4-chome, Yodogawa-ku, Osaka-City, Osaka	Tel: 06-6395-1918 Fax: 06-6395-1555

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
	iGENE Therapeutics, Inc.	Research and development of bioagents based on RNAi technology, contract development, manufacturing, importing and exporting, sales and technological guidance	26	2003	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3143 Fax: 03-3665-3324
<b>Sales</b>							
●	Nagase Colors & Chemicals Co., Ltd.	Purchasing and sale of dyestuffs, industrial chemicals, etc. and related information provision	100	1957	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2058 Fax: 06-6535-2054
●	Nagase Sanbio Co., Ltd.	Sale of enzymes and additives for food and feed	30	1987	100.0 (13.0)	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2318 Fax: 06-6535-2531
●	Nagase Elex Co., Ltd.	Sale of raw materials for plastics and plastic products	20	1979	100.0	4F, Nihonbashi Tachibana Bldg., 6-11, Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo	Tel: 03-3661-0821 Fax: 03-3661-1560
●	Nagase Chemical Co., Ltd.	Sale of dyestuffs, industrial chemicals, chemicals for manufacturing paper, plastics and machinery	60	1995	100.0	6F, Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-5640-7431 Fax: 03-5640-0791
●	Nagase Chemspec Co., Ltd.	Sale and technological servicing of chemicals	30	1976	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3726 Fax: 03-3665-3746
●	Hoei Sangyo Co., Ltd.	Sale of film materials, magnetic products, information imaging materials, etc.	250	1974	80.5	Nagase Sangyo Honcho Bldg., 2-8, Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo	Tel: 03-3274-7880 Fax: 03-3274-7882
●	Nishinon Nagase Co., Ltd.	Sale of dyestuffs, auxiliaries, industrial chemicals and plastics	60	1969	100.0	6F, Hakata Tokyo Kaijo Nichido Bldg., 1-3, Shimokawabata-machi, Hakata-ku, Fukuoka-City, Fukuoka	Tel: 092-272-3661 Fax: 092-272-3667
●	Nagase Plastics Co., Ltd.	Sale of raw materials for plastics and plastic products	96	1975	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6533-1181 Fax: 06-6533-1189
●	Nagase Abrasive Materials Co., Ltd.	Sale of abrasives and grinding materials	50	1955	100.0	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2530 Fax: 06-6535-2534
●	Nagase Beauty Care Co., Ltd.	Sale of cosmetics and health foods	100	1991	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3617 Fax: 03-3665-3724
●	Nagase Eco Plus Co., Ltd.	Development and sale of Pluswood composite wood material	310	1994	100.0	5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo	Tel: 03-3665-3700 Fax: 03-3665-3714
	Shinshu Nagase Denzai Co., Ltd.	Sale of electronics components, raw materials for plastics and plastic products	10	1984	100.0	1-4-16, Akabane, Okaya-City, Nagano	Tel: 0266-24-2772 Fax: 0266-24-3311
	OnFine Co., Ltd.	Manufacture and sale of electronics and fluorine and polysilane variants for use in materials	10	2002	50.0 (25.0)	1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka	Tel: 06-6535-2585 Fax: 06-6535-2174
<b>NORTHEAST ASIA</b>							
●	Shanghai Nagase Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$1,000	1997	100.0	Room 01, 03-06, 19F, The Exchange, No.299 TongRen Rd., JingAn District, Shanghai 200040 P.R. China	Tel: 86-21-3360-7171 Fax: 86-21-3360-7007
●	Tianjin Nagase International Trading Co., Ltd.	Import/export, domestic sales, marketing	US\$300	2003	100.0 (100.0)	Rm 2008,20/F., The Exchange Office Tower,189 Nanjing Road, Heping District, Tianjin, P.R.China 300051	Tel: 86-(22)83191231 Fax: 86-(22)83191122
●	Shanghai Hua Chang Trading Co., Ltd.	Sale of resins and related products	US\$2,400	1998	70.0 (53.8)	Room 605, Aviation Center, 1600 Nanjing Road West, Shanghai, P.R.China 200040	Tel: 86-(21)62481133 Fax: 86-(21)62486533
●	Nagase Precision Plastics Shanghai Co., Ltd.	Plastic tray molding	350	2001	99.0 (5.0)	B-Block, 1F, 173 Meisheng Road, Wai Gao Qiao Free Trade Zone, Pudong, Shanghai, P.R. China 200131	Tel: 86-(21)58681661 Fax: 86-(21)58681667
●	Nagase ChemteX (Wuxi) Corp.	Plastic manufacture and sale of adhesives and high-tech chemical products for electronics, technology service	US\$3,500	2002	100.0 (50.0)	B-B, Machinery & Electronics Industry Park, Wuxi National Hi-tech Industrial Development Zone, Jiangsu Province, P.R. China 21400	Tel: 86-(510)5200052 Fax: 86-(510)5200209
●	Guangzhou Nagase Trading Ltd.	Import/export, domestic sales, marketing	US\$500	2002	100.0 (100.0)	Room 5706, CITIC Plaza Office Tower, 233 Tian He Bei Road, Guangzhou, P.R. China 510613	Tel: 86-(20)38911101 Fax: 86-(20)38911103
	Wuhan Branch Office					Room 1204, RuiTong Plaza B, No.847 Jianshe Avenue- Hankou, Wuhan 430015, China	Tel: 86-(27)8548-7933 Fax: 86-(27)8548-7953
●	Nagase (Hong Kong) Ltd.	Import/export, domestic sales, marketing	HK\$3,120	1971	100.0	Suite 3901 & 3912-14, Tower 6, The Gateway Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China	Tel: 852-23750000 Fax: 852-23772728
	Dalian Representative Office					21F, Senmao Bldg., No.147 Zhongshan Road, Xigang District, Dalian, P.R.China 116011	Tel: 86-(411)83704270 Fax: 86-(411)83704272
●	Nagase International Electronics Ltd.	Management of electronics-related manufacturing businesses in Japan and overseas	HK\$10,000	2004	100.0 (20.0)	Suite 3901 & 3912-14, Tower 6, The Gateway Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China	Tel: 852-23762088 Fax: 852-23761666

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
●	NWP International Trading (Shenzhen) Co., Ltd.	Sale of plastic products in South China	US\$1,200	2004	100.0 (100.0)	No.201, Building 6C, International Commercial Center, 1001 Hong Hua Road, Futian Free Trade Zone, Shenzhen, Guangdong, China	Tel: 86-769-5416501 Fax: 86-769-5416503
●	Totaku Industries Suzhou Co., Ltd.	Manufacture and sale of plastic products	US\$1,700	2005	100.0 (100.0)	9 Datong Road Export Processing Zone, Suzhou New & Hi-tech District, Suzhou, China	Tel: 86-(512)6269-6006 Fax: 86-(512)6269-6008
●	Nagase (Taiwan) Co., Ltd.	Import/export, domestic sales, marketing	NT\$45,000	1988	100.0	16F-1, 248, Sec.3, Nanking E. Rd., Taipei, Taiwan, R.O.C.	Tel: 886-(2)27733668 Fax: 886-(2)27737288
	Xiamen Office					Room 907A, Commercial building Paragon Center, No. 1 Lianyue Road, Xiamen, Fujian, P.R. China	Tel: 86-592-2200-213 Fax: 86-592-2236-330
●	Nagase Electronics Technology Co., Ltd.	Chemical etching of liquid crystal glass panel units	NT\$178,000	2005	71.0 (11.0)	No.6 Yuanyuan St., Guanyin Township, Taoyuan County328, Taiwan, R.O.C.	Tel: 886-(3)416-0498 Fax: 886-(3)438-9956
●	Nagase Wahlee Plastics Corp.	Sale of plastics and related products	NT\$100,000	1990	60.0 (5.0)	9F Chuan Ta Bldg., No. 37, Sec. 3, Min Chuan East Road, Taipei, Taiwan, R.O.C.	Tel: 886-(2)25062400 Fax: 886-(2)25062401
●	Nagase Korea Corp.	Wholesale sales	WON700,000	2001	100.0	23F, Danam Bldg, 5-120, Namadaemun-Ro, Jung-Gu, Seoul, Korea	Tel: 82-(2)7348745 Fax: 82-(2)7348747
●	Nagase Engineering Service Korea Co., Ltd.	Equipment maintenance service and engineering	WON150,000	1997	100.0	Anyang Trade Center No.925 1107, Bisan-dong, Dongan-ku, Anyang City, Kyongki-do, Korea 431-050	Tel: 82-(31)3890881 Fax: 82-(31)3890884
	NCC Shanghai Techno Center Co., Ltd.	Testing operations for paints and finishing processes	35	2002	100.0 (100.0)	6F, No.75 Bldg. No.1066 Qinzhou North Road Caohejing Hi-Tech Park, Shanghai, P.R.China 200233	Tel: 86-(21)54261812 Fax: 86-(21)54261811
	Nagase CMS Technology (Shanghai) Co., Ltd.	Construction and maintenance of chemical supply and management equipment	US\$200	2006	100.0 (60.0)	19F, The Exchange, No.299 TongRen Rd., JingAn District, Shanghai P.R. China 200040	Tel: 86-(21)6103-1662 Fax: 86-(21)6103-1663
	Nagase Plastic Design and Die (Tianjin) Co., Ltd.	Design of automotive components and plastic products	US\$360	2003	58.3 (16.7)	Rm 1005, 10/F., The Exchange Office Tower, 189 Nanjing Road, Heping District, Tianjin, P.R.China 300050	Tel: 86-(22)83191234 Fax: 86-(22)83191122
	Guangzhou Kurabo Chemicals Co., Ltd.	Manufacture of molded urethane products for automobiles	US\$7,000	2001	20.0	Jingquan 1st Rd., Yonghe Economic Zone, Guangzhou Economic & Technological Development Dist., Guangzhou City, Guangdong, China	Tel: 86-(20)8297-0557 Fax: 86-(20)8297-0551
	Nagase Marketing and Service (Shenzhen) Ltd.	Contract customer services	HK\$1,000	2006	100.0 (100.0)	Room 2501-02, China Resources Building, 5001 Shennan Dong Road, Shenzhen 518001, P.R. CHINA	Tel: 86-(755)3338-6603 Fax: 86-(755)3338-6620
	Toyo Quality One Ningbo Co., Ltd.	Manufacture and sale of polyurethane foam	US\$3,770	1993	24.2	No.302 Chengnan East Rd., Cicheng Town, Jiangbei Dist., Ningbo City, Zhejiang, China	Tel: 86-(574)8757-0057 Fax: 86-(574)8757-0885
<b>SOUTHEAST ASIA</b>							
●	Nagase Singapore (Pte) Ltd.	Import/export, domestic sales, marketing	S\$2,700	1975	100.0	300 Beach Road, #39-00 The Concourse, Singapore 199555	Tel: 65-63980088 Fax: 65-63980227
	Vietnam Representative Office					Unit 712, Sun Wah Tower, 115 Nguyen Hue Boulevard, Dist. 1, HCMC, Vietnam	Tel: 84-(8)38219166 Fax: 84-(8)38219139
●	Nagase FineChem Singapore (Pte) Ltd.	Manufacture and recycling of chemical agents for liquid crystals	S\$14,000	2001	100.0 (40.0)	9 Tuas View Lane 637569, Singapore	Tel: 65-68989289 Fax: 65-68985313
●	Nagase (Thailand) Co., Ltd.	Import/export, domestic sales, marketing	BAHT87,000	1989	100.0	14F, Ramaland Bldg., 952 Rama IV Road, Khwaeng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand	Tel: 66-(2)6327000 Fax: 66-(2)6327111
●	Nagase (Malaysia) Sdn. Bhd.	Import/export, domestic sales, marketing	MYR1,500	1981	100.0	Suite 16.01, Level 16, Menara IGB Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia	Tel: 60-(3)22832366 Fax: 60-(3)22822933
	Johor Bahru Office					Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi, Jalan Kuning, 80400, Johor Bahru, Malaysia	Tel: 60-(7)3336088 Fax: 60-(7)3339088
	Penang Office					1-5-14&15, 5F, Krystal Point Corporate Park, Jalan Tun, Dr. Awang, 11900 Sungai Nibong, Penang, Malaysia	Tel: 60-(4)6430628 Fax: 60-(4)6432490
●	Nagase Philippines Corp.	Import/export, domestic sales, marketing	PHP45,839	1997	100.0	18-B Trafalgar Plaza H.V. Dela Costa Street, Salcedo Village, 1227 Makati City, Philippines	Tel: 63-(2)7502935 Fax: 63-(2)8118296
●	Nagase Philippines International Services Corp.	Domestic sales, import/export	PHP40,000	2005	100.0	Building 3, 123-125 Technology Avenue Phase 4, LTI Binan, Laguna, Philippines	Tel: 63-(4)95440678 Fax: 63-(4)95440679

	Company name	Description of business	Paid-in capital (Millions of Yen) (Foreign currency: Thousands)	Year of establishment	Equity ownership (%) (indicates indirect investment)	Address	Tel & Fax
●	P.T.Nagase Impor-Ekspor Indonesia	Import/export, domestic sales, marketing	US\$500	1998	100.0 (10.0)	Wisma Kyoee Prince, 21F Jl. Jend.Sudirman Kav.3 Jakarta 10220, Indonesia	Tel: 62-(21)57900391 Fax: 62-(21)57900392
○	Sanko Gosei Technology (Thailand) Ltd.	Manufacture of automobile components	BAHT370,000	1997	40.0	376 Moo 4 Suksawat Rd., Soi 36, Bangpakok, Rasburana, Bangkok 10140, Thailand	Tel: 66-(2)4277008 Fax: 66-(2)4274923
○	Automotive Mold Technology Co., Ltd.	Manufacture of automotive molds and dies	BAHT280,000	2000	32.1	Amata City Industrial Estate 7/117 Moo 4, Mabyangporm Pluakdaeng, Rayong 21140, Thailand	Tel: 66-(38)956151 Fax: 66-(38)956155
	Nagase & Co., Ltd. Hanoi Representative office	Representative Office				Unit 1202, Hanoi Tung Shing Square, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam	Tel: 84-(4)9350110 Fax: 84-(4)9350108
	Nagase Vietnam Co., Ltd.	Import/export, domestic sales, marketing	US\$3,000	2008	100.0	Unit 1201, Hanoi Tung Shing Square, 2 Ngo Quyen Street, Hoan Kiem District, Hanoi, Vietnam	Tel: 84-(4)9264126 Fax: 84-(4)9264124
	Nagase India Private Ltd.	Import/export, domestic sales, marketing	IRS200,000	2006	100.0 (1.0)	404, Vaibhav Chambers, Bandra-Kurla Complex (BKC), Bandra East, Mumbai 400 051, INDIA	Tel: 91-(22)26591337 Fax: 91-(22)26591408
	North India Branch					310, Time Tower, M-G Road, Gurgaon, Haryana 122 001, INDIA	Tel: 91-(124)2574662 Fax: 91-(124)2392467
	Pac Tech Asia Sdn.Bhd.	Manufacture and sales of semiconductor manufacturing equipment, contract processing for wafer bumping	MYR10,000	2006	100.0 (100.0)	Plot14, Medan Bayan Lepas Technoplex, Phase 4 Bayan Lepas Industrial Zone 11900 Bayan Lepas, Penang Malaysia	Tel: 60-(4)6430-628 Fax: 60-(4)6432-490
<b>NORTH AMERICA</b>							
●	Nagase America Corp.	Import/export, domestic sales, marketing	US\$3,500	1971	100.0		
	New York Headquarters					546 5th Avenue 16F, NewYork, NY 10036-5000, U.S.A.	Tel: 1-(212)7031340 Fax: 1-(212)3980687
	Michigan Branch					39555 Orchard Hills Place, Crystal Glen Office Center, Suite 356, Novi, MI 48375, U.S.A.	Tel: 1-(248)3740490 Fax: 1-(248)3740497
	California Branch					2880 Lakeside Drive, Suite 116 Santa Clara, CA 95054, U.S.A.	Tel: 1-(408)5679728 Fax: 1-(408)5679729
●	Pac Tech USA-Packaging Technologies Inc.	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	US\$3,773	2001	100.0 (100.0)	328 Martin Avenue, Santa Clara, CA 95050, U.S.A.	Tel: 1-(408)5881925 Fax: 1-(408)5881927
○	Sofix Corp.	Manufacture and sale of color formers	US\$20,000	1990	49.0	2800 Riverport Road, Chattanooga, TN 37406-1721, U.S.A.	Tel: 1-(423)6243500 Fax: 1-(423)6243587
	Design and Die USA Inc.	Design of automotive components and plastic products/die sales	US\$200	2002	75.0 (50.0)	Crystal Glen Office Center, Suite 356, 39555 Orchard Hills Place, Novi, MI 48375, U.S.A.	Tel: 1-(248)3740490 Fax: 1-(248)3740497
<b>EUROPE</b>							
●	Nagase (Europa) GmbH	Import/export, domestic sales, marketing	€1,200	1980	100.0	Immermannstrasse 65c 40210 Dusseldorf, Germany	Tel: 49-(211)866200 Fax: 49-(211)3237068
	Hungary Representative Office					MADACH TRADE CENTER BT, H-1075 Budapest, Madach I. ut 13-14. Hungary	Tel: 36-(1)2681705 Fax: 36-(1)2681706
	London Branch					Suite 1.02, Winchester House 259-269 Old Marylebone Road, London, NW1 5RA, U.K.	Tel: 44-(020)7993-3270 Fax: 44-(020)7170-4380
	Poland Representative Office					Al. Jana Pawla II 15, 13th Floor 00-828 Warsaw, Poland	Tel: 48-(22)697-7372 Fax: 48-(22)697-7352
●	Pac Tech-Packaging Technologies GmbH	Semiconductor wafer bumping, manufacture and sale of semiconductor manufacturing equipment	€188	1995	59.9	Am Schlangenhorst 15-17 D-14641 Nauen, Germany	Tel: 49-(332)1449513 Fax: 49-(332)1449522
<b>MIDDLE EAST</b>							
	Nagase & Co., Ltd. Dubai Branch	Branch				LB18 2503 South Zone in JAFZA, PO BOX 17865, DUBAI, UNITED ARAB EMIRATES	Tel: 971-(4)886-4966 Fax: 971-(4)886-4958

# Corporate Information

(As of March 31, 2009)

## About Nagase & Co., Ltd.

Company Name		NAGASE & CO., LTD.
Founded		June 18, 1832
Established		December 9, 1917
Paid-in Capital		¥9,699 million
Number of Employees		944 (Consolidated: 4,506)
Main Business		Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics and health foods
Main Offices		Osaka Head Office : 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114 Tokyo Head Office : 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021 Nagoya Branch Office : 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615 Nagase R&D Center : Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162 Nagase Application Workshop : 2-4-45, Higashitsukaguchicho, Amagasaki City, 661-0011 Tel: (81) 6-4961-6730

## History

1832	• Nagase founded in Kyoto as a dyestuffs trading concern • Sales of dyestuffs, starches and funori seaweed	1988	• Established Nagase California Corp. and Nagase (Taiwan) Co., Ltd.
1893	• Established Osaka branch office	1989	• Established Nagase (Thailand) Co., Ltd. • Established Nagase Science and Technology Foundation • Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system
1898	• Head office switched to Osaka, branch office to Kyoto	1990	• Established Sofix Corp. • Set up the Nagase R&D Center in Kobe • Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)
1900	• Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)	1997	• Established Nagase Philippines Corp. • Established Shanghai Nagase Trading Co., Ltd. • Established Nagase Engineering Service Korea Co., Ltd.
1911	• Established Tokyo branch office	1998	• Established P.T. Nagase Impor-Ekspor Indonesia • Established Shanghai Hua Chang Trading Co., Ltd.
1917	• Inaugurated as Nagase Shoten Company with capital of ¥3 million	2001	• Closed the Seoul branch office, and established Nagase Korea Corp. • Merged four production companies, and established Nagase ChemteX Corp. • Established Nagase Finechem Singapore (Pte) Ltd. • Established Nagase Precision Plastics Shanghai Co., Ltd.
1923	• Established business ties with Eastman Kodak Co. of the United States	2002	• Established Nagase ChemteX (Wuxi) Corp. • Established a representative office in Hanoi, Vietnam • Established Guangzhou Nagase Trading Ltd.
1930	• Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp. of the United States	2004	• Established Nagase International Electronics Ltd.
1940	• Established Nagoya branch office	2005	• Established Nagase Philippines International Services Corp.
1943	• Company name changed to Nagase & Co., Ltd.	2006	• Acquired stock of semiconductor manufacturing equipment maker Pac Tech-Packaging Technologies GmbH • Established Nagase India Private Ltd.
1964	• Listed Company shares on the Osaka Securities Exchange	2007	• Established Nagase Application Workshop
1968	• Concluded an exclusive distributorship agreement with General Electric Co. of the United States	2008	• Established Sakai Sales Office • Established Nagase Vietnam Co., Ltd.
1970	• Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd. • Listed Company shares on the Tokyo Stock Exchange	2009	• Opened a branch office in Dubai
1971	• Established Nagase (Hong Kong) Ltd. and Nagase America Corp. • Established Engineering Plastics, Ltd. jointly with General Electric Co.		
1974	• Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States		
1975	• Established Nagase Singapore (Pte) Ltd.		
1980	• Established Nagase (Europa) GmbH and Chang Fong Overseas Enterprises (Pte) Ltd.		
1982	• Established Nagase (Malaysia) Sdn. Bhd.		
1985	• Established Seoul branch office		

# Investor Information

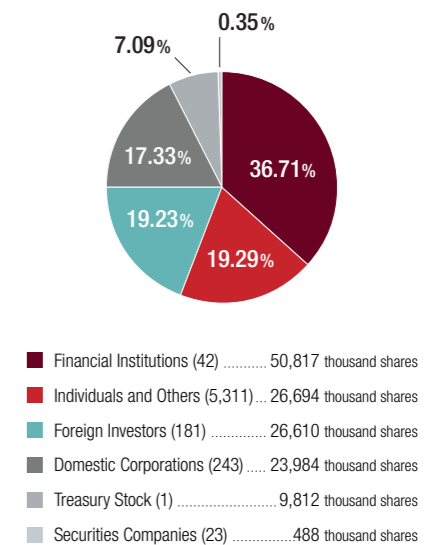
(As of March 31, 2009)

■ Stock Listings		First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange Ticker
■ Code		8012
■ Authorized Number of Shares		346,980,000
■ Issued Number of Shares		138,408,285
■ Number of Shareholders		5,801
■ Principal Shareholders		

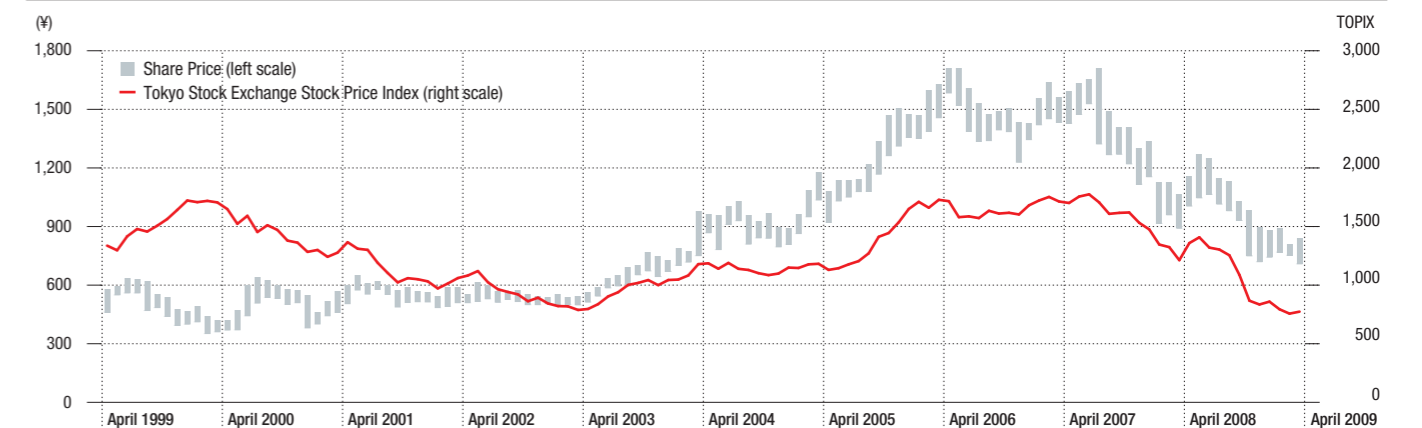
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
Japan Trustee Services Bank, Ltd.	7,185	5.19
The Master Trust Bank of Japan, Ltd.	6,844	4.94
Northeast Trust Company (ABFC) Sub-Client American Account	6,629	4.79
The Sumitomo Trust & Banking Co., Ltd.	5,776	4.17
Japan Trustee Services Bank, Ltd.	5,434	3.93
Nippon Life Insurance Company	4,984	3.60
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,206	3.04
Reiko Nagase	3,522	2.54
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.13

Note: In addition to the above, the Company holds 9,812 thousand shares of treasury stock without voting rights.

## Composition of Shareholders



## Monthly Share Price Range of Nagase



## Monthly Trading Volume

