Consolidated Financial Statements for the Year Ended March 31, 2012
<Under Japanese GAAP>

May 8, 2012

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

Stock exchange listing: Tokyo, Osaka (First Sections)

NAGASE & CO., LTD.
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Annual General Meeting of Stockholders (scheduled): June 28, 2012
Start of Distribution of Dividends (scheduled): June 29, 2012
Securities Report Filing: June 29, 2012
Supplementary Documents: Yes
Investors' Meeting: Yes

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

1. Consolidated Results for the Year Ended March 31, 2012 (April 1, 2011 to March 31, 2012)

(1) Consolidated Operating Results (% = year-on-year change)

	Net sales		Operating profit		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FYE March 2012	631,854	(4.3)	13,427	(28.3)	15,690	(23.9)	8,570	(33.2)
FYE March 2011	660,213	9.3	18,732	42.7	20,625	40.2	12,823	70.1

(Notes) Comprehensive income FYE March 2012: ¥7,282 million (20.8% decrease)
FYE March 2011: ¥9,191 million (58.3%)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/ total assets	Operating income/ net sales
	Yen	Yen	%	%	%
FYE March 2012	66.69	–	4.2	3.8	2.1
FYE March 2011	99.76	–	6.5	5.5	2.8

(Reference) Equity in earnings of affiliates FYE March 2012: ¥368 million
FYE March 2011: ¥300 million

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FYE March 2012	450,842	212,744	45.4	1,592.87
FYE March 2011	375,336	209,316	53.7	1,568.04

(Reference) Equity capital FYE March 2012: ¥204,706 million
FYE March 2011: ¥201,516 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FYE March 2012	5,690	(81,066)	56,961	28,517
FYE March 2011	10,997	(9,147)	3,564	47,202

2. Dividends

	Annual dividend per share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/ net assets (consolidated)
	1Q	2Q	3Q	Fiscal Year End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FYE March 2011	–	9.00	–	13.00	22.00	2,827	22.1	1.4
FYE March 2012	–	12.00	–	12.00	24.00	3,084	36.0	1.5
FYE March 2013 (estimate)	–	13.00	–	13.00	26.00		21.6	

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2013
(April 1, 2012 to March 31, 2013)

(% = year-on-year change)

	Net sales		Operating profit		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q (cumulative)	–	–	–	–	–	–	–	–	–
Full fiscal year	700,000	10.8	19,500	45.2	20,500	30.7	15,500	80.9	120.61

(Note) As the Company only discloses full-year earnings targets, we have omitted presentation of interim consolidated results here.

* Notes

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): Yes
New 1 (Company Name: Hayashibara Co., Ltd.) Excluded: — (Company name:)

(2) Changes of accounting policies or presentation methods in the consolidated financial statements
i. Changes in accordance with revisions to accounting and other standards: No
ii. Changes in items other than (i) above: No
iii. Changes in accounting estimates: No
iv. Restatement of prior period financial statements after error corrections: No

(3) Number of shares issued and outstanding (common stock)
i. Number of shares issued and outstanding as of the fiscal period end (including treasury stock)

March 31, 2012	138,408,285 shares	March 31,2011	138,408,285 shares

ii. Number of treasury stock as of the fiscal period end

March 31, 2012	9,893,787 shares	March 31,2011	9,893,808 shares

iii. Average number of shares during the period:

March 31, 2012	128,514,527 shares	March 31,2011	128,535,317 shares

*** Disclosure of Audit Procedure Progress**

This earnings report is exempt from audit procedures as provided by the Financial Instruments and Exchange Act. Consolidated financial statements were undergoing the audit process at the time of the release of this report.

*** Cautionary Statement with Respect to Forecasts of Consolidated Business Results**

Earnings forecasts presented in this document are based on information available and assumptions deemed rational at the time. Actual performance could differ materially from forecasts due to a variety of factors.
Please refer to 1. Business Performance, pages 2 through 9 of the attached supplementary documents for further information.

○ Attachments

1. Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 2012)

a. General Summary of Results

Despite signs of recovery from the March 11 earthquake and tsunami, the future of the Japanese economy remained murky throughout the period. A slow international economy due to the impact of the European financial crisis, historical highs in the yen valuation, and the flooding in Thailand were just some of the factors contributing to the overall sense of unease.

Cumulative consolidated earnings for the fiscal year showed domestic sales of ¥366.36 billion (5.9% year-on-year decrease), with overseas sales of ¥265.48 billion (2.0% decrease). Net sales amounted to ¥631.85 billion, which was a 4.3% year-on-year decline.

In addition to the decline in net sales, Nagase experienced an increase in selling, general and administrative expenses, including personal expenses(including actuarial losses) and depreciation and amortization. As a result, operating profit for the year amounted to ¥13.42 billion (28.3% year-on-year decrease), ordinary income amounted to ¥15.69 billion (23.9% decrease), and net income amounted to ¥8.57 billion (33.2% decrease).

b. Segment Summary

[Chemicals]   Sales: ¥251.94 billion (6.8% year-on-year decrease)

Sales decreased as a whole for the year. Despite growing sales in Southeast Asia and Europe/U.S., the Company experienced declining performance domestically and in Northeast Asia.

- Sales in our colors and imaging business related to dyes/additives, information printing, and dyestuffs/fiber processing agents for the fiber processing industry all experienced declines. Significant year-on-year decreases in sales of functional dyes for display-related products contributed further to an overall decline.
- Performance chemical business sales performed on par with prior-year levels as a whole. We saw a decline in sales of plastic materials and additives to the Asian market, as well as a drop in sales of urethane materials due to the decline in automotive production during the first half of the year. Meanwhile, we experienced an increase in domestic sales of coating raw materials, which buoyed performance as a whole.
- Sales of specialty chemicals as a whole declined year on year. Sales of surfactants, raw materials for industrial oil solutions and fluorochemicals in our specialty chemicals business increased compared to the prior year. On the other hand, sales of organic products declined, as did sales of precision abrasive materials for hard disk drive and semiconductor applications, mainly due to the impact of the March 11 disaster and the Thailand flooding. In addition, sales of products from our domestic manufacturing subsidiary Nagase ChemteX Corp. were weak throughout the period.

[Plastics]   Sales: ¥219.2 billion (1.3% year-on-year decrease)

Despite higher sales in Europe, the United States and Japan, sales in Northeast and Southeast Asia declined. As a result, sales in the Plastics segment decreased year on year.

- Despite lower sales of domestic manufacturing group companies, domestic sales to office automation and customer electronics business showed steady growth.
  In spite of this growth, financial concerns in Europe and the Thailand flooding led to lower exports of resin raw materials, and export of injection molding-related products to China also declined significantly.
  Leading to an overall year-on-year decline in this category.
- In our automotive-related business, we experienced a comparative decline in first-half domestic sales due to the lasting impact of the March 11 disaster. However, sales recovered throughout the second half of the fiscal

year. Despite the flooding in Thailand, sales in Northeast Asia, Southeast Asia, and North America grew compared to the prior fiscal year, leading to sales gains in our automotive-related business as a whole.

- Sales of functional films and sheet and plastics molding products declined overall compared with the prior fiscal year. Sales of functional films for LCD TVs and power connectors and anti-reflective sheet for such electronic devices as mobile phones declined. As well, sales of precision inspection systems for liquid crystal polarizer films declined significantly.

[Electronics] Sales: ¥110.51 billion (5.2% year-on-year decrease)

Despite an increase in sales to Northeast Asia and North America, the Company experienced a drop in sales domestically, in Southeast Asia, and Europe, leading to an overall decline in segment sales for the fiscal year.

- The Electronic chemicals business experienced lower overall sales for the period. Sales in formulated epoxy resins for heavy electrical equipment and mobile phone applications continued to be strong. However, the March 11 disaster and user manufacturing adjustments led to lower sales in chemicals for TV LCD panels and chemicals for production of semiconductor-related products.
- Electronic materials sales fell overall, despite strength in optical film and touch panels, smartphones, and products for LED lighting. These gains were offset by our pull-out from the domestic TV LCD panel components processing business.

[Life Sciences] Sales: ¥49.17 billion (2.1% year-on-year decrease)

While domestic sales in this segment were on par with the prior fiscal year, we saw lower sales in Europe and Southeast Asia, driving sales down as a whole compared to the prior year.

These consolidated results include the non-cumulative March 2012 earnings of our newest consolidated subsidiary, Hayashibara (sales of ¥2.07 billion).

- Our fine chemicals business experienced lower overall sales. Injection medicines and other liquid medicines for pharmaceuticals performed well; however, sales decreased for pharmaceutical raw materials and intermediates and daily commodities, as did sales of products in our agricultural-related businesses. Lower sales of Nagase ChemteX products led to lower performance in enzyme and fermentation products sales.
- Our beauty care products business, dealing in cosmetics and health foods, experienced sales declines compared to the prior fiscal year. While a new cosmetics product launched during the second quarter recorded strong results, sales of health foods and make-up products introduced during the prior fiscal year fell.

[Other] Sales: ¥1.01 billion (9.1% year-on-year increase)

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

(Forecast for the Fiscal Year Ending March 2013)

(Millions of yen)

	Net sales	Operating profit	Ordinary income	Net income
Year ending March 31, 2013	700,000	19,500	20,500	15,500
Year ended March 31, 2012	631,854	13,427	15,690	8,570
Change	+10.8%	+45.2%	+30.7%	+80.9%

a. Performance Forecast for the Fiscal Year Ending March 2013

While we expect that the economies of emerging countries will continue to be strong for throughout the next fiscal year, the future of the economy in the United States and Europe remains cloudy due to European financial concerns and other factors. On top of oil price highs, a strong yen, overseas economic issues, and other concerns, Japan will also be dealing with summer electricity supply worries domestically. However, we are beginning to see signs of steadiness in our economy, and we believe we will be able to avoid a double-dip.

We launched our new medium-term management plan “Change-S2104” in response to this market environment. Our basic strategy under this plan is to accelerate the improving quality of our business and management (Speed up), bring the total strength of the Nagase Group to bear throughout the value chain in our strategic markets (Step up), and to expand our unique solutions globally, creating sustained growth (Sustainable growth). We believe that achieving these basic strategies will lead to continued improvements in corporate value.

We forecast fiscal 2013 consolidated net sales of ¥700.0 billion (10.8% year-on-year increase), operating profit of ¥19.5 billion (45.2% increase), ordinary income of ¥20.5 billion (30.7% increase), and net income of ¥15.5 billion (80.9% increase).

We have assumed an average exchange rate of ¥78 per U.S. dollar in our full-year forecasts.

(Impact of the Hayashibara Acquisition)

The Company acquired Hayashibara Co., Ltd. during the fiscal year under review, making Hayashibara a consolidated subsidiary. Our forecasts include a contribution of ¥27.3 billion in net sales, ¥3.0 billion in operating profit, and ¥2.6 billion in net income from this new subsidiary for the next fiscal year.

These figures also reflect selling, general, and administrative expenses of ¥3.0 billion related to amortization of intangible fixed assets (including goodwill) connected with the purchase of Hayashibara shares.

(Change in accounting method for depreciation of property, plant and equipment in domestic companies)

The Company and domestic affiliates changed our method of accounting for depreciation of property, plant and equipment from the declining balance method to the straight-line method. We believe this change will more correctly reflect the relationship of revenues and expenses in our business. We have also revised our estimate of the useful lives of certain assets. Accordingly, we forecast a ¥2.2 billion decrease in depreciation and amortization expense compared to our former accounting method, and we have reflected this change in the preceding earnings forecast.

b. Forecast by Business Segment

To date, we have categorized our products into four business segments: chemicals, plastics, electronics, and life sciences. However, we have reorganized our business segments to more fully concentrate the strengths of our entire group, reflecting the respective positions of each business in the value chain, as well as the most closely aligned industry. This realignment has resulted in five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (these last three segments functioning across all industries).

We forecast segment sales of ¥194.0 billion in Functional Materials, ¥236.0 billion in Advanced Materials & Processing, ¥117.0 billion in Electronics, ¥77.0 billion in Automotive & Energy, ¥75.0 billion in Life & Healthcare, and ¥1.0 billion in Other.

Our forecasts are based on information available at the time of our calculations. Actual performance may differ according to international and domestic economic trends, foreign currency exchange rates, and other factors.

(Millions of yen)

		FYE March 2012 Actual	FYE March 2013 Forecast
New Segments	Functional Materials	177,126	194,000
	Advanced Materials & Processing	217,930	236,000
	Electronics	110,496	117,000
	Automotive & Energy	76,114	77,000
	Life & Healthcare	49,170	75,000
	Other	1,018	1,000
Net Sales		631,854	700,000

* We recalculated FYE March 2012 Actual figures to reflect these new segment categories.

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

Current assets increased by ¥4.97 billion compared to the balance at the end of the prior consolidated fiscal year, reaching ¥282.28 billion. This increase was due in part to an increase in notes and accounts receivable, stemming from the fact that the end of the current consolidated fiscal year was a bank holiday.

Non-current assets amounted to ¥168.56 billion, representing an increase of ¥70.52 billion over the prior consolidated fiscal year end. This increase was primarily due to an increase in goodwill and technology-based assets in conjunction with the Company's purchase of Hayashibara.

Liabilities amounted to ¥238.09 billion, which was a ¥72.07 billion increase over the prior consolidated fiscal year end. This increase was mainly due to an increase in debt to finance the Company's purchase and support of Hayashibara.

Net assets amounted to ¥212.74 billion, representing an increase of ¥3.42 billion over the prior consolidated fiscal year end.
This increase was primarily attributable to a rise in retained earnings, which resulted from the posting of net income in the fiscal year under review.Lower translation adjustments due to the strength of the yen were offset by this rise in retained earnings.

As a result, our net worth ratio was 45.4%, an 8.3-point decrease compared to our 53.7% net worth ratio at the end of the prior consolidated fiscal year.

b. Summary of Consolidated Cash Flows

Cash flows from operating activities amounted to ¥5.69 billion. Income before income taxes offset increased notes and accounts receivable.

Cash used in investing activities amounted to ¥81.06 billion, mainly due to the Company's investment and financing related to the Hayashibara acquisition.*

Cash flows from financing activities amounted to ¥56.96 billion. This result was mainly due to an increase in debt to finance the Company's investment and financing of Hayashibara.

As a result of the preceding, cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥28.51 billion, representing a ¥18.68 billion decrease compared to the prior consolidated fiscal year end.

* The entire ¥70 billion in investment and financing related to Hayashibara has been allocated to repayment of rehabilitation claims and security interests according to Hayashibara corporate reorganization proceedings.

c. Trends in Cash Flow Indicators

	FYE March 2008	FYE March 2009	FYE March 2010	FYE March 2011	FYE March 2012
Net worth ratio	47.8%	54.1%	53.1%	53.7%	45.4%
Net worth ratio based on market value	31.2%	28.7%	40.8%	33.9%	29.2%
Interest-bearing debt to cash flow ratio	–	0.9 years	0.8 years	2.5 years	15.6 years
Interest coverage ratio	–	36.0	44.7	19.5	8.9

(Notes) Net worth ratio: Equity capital/total assets
Net worth ratio based on market value: Market capitalization/total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt/operating cash flow
Interest coverage ratio: Operating cash flow/interest payments

* Indicators are calculated based on consolidated figures.
* Market capitalization is calculated using the closing price at the end of the year multiplied by the number of outstanding shares at the end of the year (less treasury stock at cost).
* Operating cash flow is net cash provided by operating activities as shown in the consolidated statements of cash flows. Interest-bearing debt is all liabilities for which interest is payable as presented in the consolidated balance sheets. Interest payments are the amount of interest paid as presented in the consolidated statements of cash flows.

(3) Dividend Policy and Dividends for the Fiscal Years Ended March 2012 and March 2013

Our basic policy is to continue paying a stable dividend to our shareholders in line with our consolidated results as we improve our earnings power and management structure. We look to improve per-share dividends based on considerations of consolidated payout ratio and consolidated dividend to equity ratio. We also plan to use funds from internal reserves effectively in our business activities and to build a stronger management foundation.

The Nagase Group declared a year-end dividend of ¥12 per share based on this policy, resulting in a scheduled full-year cash dividend of ¥24 per share.

We forecast a full-year dividend of ¥26 per share for the next fiscal year, consisting of a ¥13 per share interim dividend and a ¥13 per share year-end dividend.

(4) Operating and Other Risks

The Nagase Group is engaged in trading, marketing, research and development, manufacturing and processing in six business segments across the world: Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, Life & Healthcare, and Other. The nature of these businesses entails various risks that may have a material effect on investment decisions. We provide a discussion of the major risks below.

Any forward-looking statements are based on management decisions as of the end of fiscal March 2012.

a. Overall Operating Risk

The Nagase Group is engaged in activities that rely on the use of chemicals across a wide spectrum of products and services through our Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy and Life & Healthcare bussiness. These products and services include dyes/pigments, coating materials/inks, surfactants, OA, electrical equipment, home electronics, automobiles, LCDs, semiconductors, and pharmaceutical/medical applications. Accordingly, significant changes in domestic and international commercial chemicals industry could affect the Nagase Group’s earnings and financial condition.

b. Product Market Conditions

The Nagase Group relies heavily on petrochemicals manufactured from naphtha in our Functional Materials, Advanced Materials & Processing, and Automotive & Energy segments. Raw materials markets and demand-supply balance are two factors that result in unique market circumstances for each of our products. Fluctuations in these factors could affect our revenues and profits in related product lines.

Some products manufactured by the Group use raw materials derived from grains. Raw materials costs fluctuate widely due to changes in grain market prices; we may not be able to pass on increased raw materials costs through higher sales prices, which could affect our profits in related product lined.

c. Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group conducts import/export as well as non-trade business transactions denominated in foreign currencies. Fluctuations in currency markets have a significant impact when prices are converted to yen. While the Group executes exchange contract hedges for these transactions to minimize exchange rate risk to the greatest extent possible, currency exchange rate fluctuations could have a significant impact on Group earnings and financial conditions. The Nagase Group owns foreign-domiciled corporations whose financial statements are prepared using local currencies. The conversion of these currencies to Japanese yen for consolidated reporting purposes entails currency conversion risk due to fluctuating exchange rates.

d. Impact of Fluctuations in Interest Rates

The Nagase Group obtains funds for operating and financing activities through loans from financial institutions; some of these loans are interest-bearing debt including variable interest terms. The Group reduces interest rate fluctuation risk related to variable interest loans by utilizing interest-rate swap contracts. Group earnings and financial conditions may be affected by future interest rate trends.

e. Risks Involved in Operating Overseas

A significant and increasing percentage of Nagase Group sales and manufacturing are conducted overseas in locations such as China, Southeast Asia, Europe, and the United States. While Group management keeps a close eye on local trends and conditions in order to respond appropriately, unforeseen events stemming from local government regulations, business customs, or other influences could have a significant impact on Group business performance and financial conditions.

f. Impact of Changes in Stock Prices

The Nagase Group maintains a portfolio of marketable securities, primarily equity shares of companies doing business with the Group. These equity investments are subject to share price fluctuation risks. As a matter of policy, the Nagase Group reduces risk by continuously reviewing and reorganizing its shareholdings. However, changes in share prices could impact Group earnings and financial condition. A decline in share prices could damage the value of pension plan assets managed by the Group, increasing retirement benefit costs and thereby reducing Group profits.

g. Counterparty Credit Risk

The Nagase Group extends credit to domestic and overseas purchasers in connection with various transactions. As a matter of policy, the Nagase Group reduces credit risk by obtaining guarantees and collateral according to the financial condition of the purchaser. Although the Nagase Group strives to ensure stable, uninterrupted product procurement, financial weakness or bankruptcies among suppliers or others could damage the Group's ability to procure goods. Such circumstances could have a significant impact on the Group's earnings and financial condition.

h. Risk of Investments[F1]

The Nagase Group business is based on brokered transactions. At the same time, the Group continues to look for new high-value business opportunities. Accordingly, we support the Nagase R&D Center and domestic manufacturing subsidiaries in their pursuit of new business through proactive investment and strategic mergers and acquisitions, using advanced technologies and information-gathering capabilities as leverage.

As a result of pursuing new business, the Group will be exposed to greater risk than were we to follow a conventional brokered business model. The book value of business assets and intangible fixed assets (goodwill, etc.) when acquiring other companies becomes an important management topic. If future cash flows from new businesses underperform projections, and the Group records correlating impairment losses, such losses may have a significant impact on Group earnings and financial condition.

i. Product Quality Risk

The Nagase Group operates the Nagase R&D Center and domestic manufacturing subsidiaries to offer high-value-added products to our customers. We pay detailed attention to the quality of the technologies and products that bear the name of Nagase and our affiliates. We also bear manufacturers' liability for products that we handle as an importer, and accordingly treat these products with the same attention to detail and quality as if they were made in our own facilities. However, product defects could result in cessation of sales and/or product recalls, exposing the Nagase Group to liability for damages, which could have a significant impact on Group earnings and financial conditions.

j. Risks of Handling Various Chemicals

The Nagase Group imports and exports a variety of chemicals in the performance of our main business lines. To maintain international peace and safety, the chemicals we export are subject to different laws, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. Imports are subject to the Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances (Chemical Substances Control Law) and other related statutes. To ensure compliance, the Group has established the Security Trade Control Committee and the Chemical Management Committee. While these committees are charged with assuring compliance to both Japanese law and the various chemical control regulations of China, Southeast Asia, Europe, the United States and other regions, violation of such laws and statutes could result in restrictions on Group business activities, having a significant impact on Group earnings and financial condition.

k. Risks of Natural Disasters

The Nagase Group has put emergency response systems in place, including the creation of a business contingency plan, the adoption of safety confirmation systems, the creation of a disaster-response manual, earthquake-response measures, disaster-response training, and other measures to deal with natural disasters. However, as we conduct business across a great number of countries and regions, we are exposed to the risk of major natural disasters, H1N1 influenza and other communicable diseases, and other emergencies that could disrupt our supply chain. Such disruptions could prevent us from selling our products or damage the manufacturing capabilities of important Group facilities. Such interruptions would result in opportunity loss, and could have a significant impact on Group earnings and financial condition.

2. Management Policies

(1) Basic Management Policy

Management Philosophy

The Nagase Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees.

Consistent with this management philosophy, we believe our most important goal is to contribute to society, including efforts to maintain good and fair business practices, while ensuring continued growth and development.

Guided by our Group slogan to be a "technology- and intelligence-oriented company that turns wisdom into business," we strive to become a unique company that combines the functions of a trading company with that of manufacturing, taking advantage of technologies and wisdom, tempered by experience. We will continue to create stronger functions and offer better business solutions as we become our customers' partner of choice in business.

(2) Management Objectives and Medium-Term Strategies

Based on this management philosophy, we created the following objectives and strategies as we work toward our vision for the future.

- Allow stakeholders to realize their dreams and ideals through our business
- Continue to grow and increase value, using our strengths in technology
- Anticipate changes in the market structure and environment, growing together with our customers as we offer unique solutions
- Contribute to making a better society and global environment

In April 2009, we began execution on our three-year *"Change" 11* business plan, pursuing a basic strategy to improve business and operations. Under this plan, we acted on important polices and conducted proactive investment in our priority business areas. The fiscal year ended March 2012 was the last year of the *"Change" 11* business plan. Net sales for the fiscal year amounted to ¥631.8 billion (versus a ¥720.0 billion target), with operating profit of ¥13.4 billion (versus a ¥15.0 billion target). While we missed our operating profit target, we invested a total of ¥107.4 billion over three years (versus a ¥30.0 billion target), including our investments in Hayashibara Co., Ltd., expanding our manufacturing capacity and extending into new businesses. Having created stronger bases of operations overseas, we were able to increase our gross profit ratio from 10.0% in fiscal 2009 to 11.3%, reflecting a Group-wide commitment to cost restructuring and a new spirit of cooperation that led to a more robust business and operation foundation.

We recognize that structure and qualitative changes in the external environment are happening at an even faster pace. In response, we know that we must accelerate the pace of structural evolution in our business and operations if we are to reach our established vision of the future. Accordingly, we have created "Change-S2014," our new three-year business plan to carry us through the next three years, beginning April 2012.

The theme of Change-S2014 is to ACCELERATE CHANGE, pursuing a basic strategy to accelerate the improving quality of our business and operations (Speed up), to bring the total strength of the Nagase Group to bear throughout the value chain in our strategic markets (Step up), and to expand our unique solutions globally, creating sustained growth (Sustainable growth). In executing this basic strategy, we have reorganized four of our business segments to reflect more fully the respective positions of each business in the value chain, as well as with the most closely aligned industry. This realignment has resulted in five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics, Automotive & Energy, and Life & Healthcare (these last three segments functioning across all industries). Each business segment is tasked with ACCELERATING CHANGE, following two key strategies: Globalization and the creation of high-added-value businesses. Nagase further looks to improve existing businesses and create new opportunities by taking advantage of the Group's strengths in core fields related to bioscience, environment and energy, and electronics. This will be accomplished by combining the Group's foundational technologies with the functions of each business segment.

Another task for the Group is to improve our management foundation in order to respond to the changing external environment and evolution of the Group's business structure.

Our target performance indicators for the final year of our Change-S2014 plan (FYE March 2015) are consolidated net sales of ¥800.0 billion, consolidated operating profit of ¥30.0 billion, and return on equity of 8.0%. We also intend to invest ¥40.0 billion over the next three years, concentrating on our priority business fields in order to achieve qualitative change and quantitative growth.

(3) Issues to be Addressed by the Company

We began executing on our new Change-S2014 three-year plan in April 2012. Under this plan, we have defined Group-wide initiatives to address issues of creating stronger capabilities in core businesses and a stronger management foundation, based on the strategies outlined above.

[Stronger Capabilities in Core Businesses]

a. Fields Utilizing Bioscience Technologies

Working from the Hayashibara business, we will create a quicker feedback loop from the market through the integration of the Nagase Group research and development and sales functions. Our goal is to create highly original bio-related products, expanding sales of the same throughout the world, which will lead to stronger competitive position and higher growth in the medical, food, health and beauty markets within our Life & Healthcare business.

We have also identified potential applications of bio-related technologies for general commercial use and uses in long-term renewable resources.

b. Fields Utilizing Environment/Energy-Related Technologies

The Nagase Group is creating a new business model anticipating global technological innovations in green energy, bringing our entire force to bear in businesses focused on friendly manufacturing (using electricity generated from PV, wind power, and other renewable sources), smart grids, and energy conservation systems, as well as next-generation automobiles that make smart use of resources.

We are also advancing research into reducing the environmental burden of business, such as chemical recycling and creating lighter components for automobiles.

c. Fields Utilizing Electronics-Related Technologies

The electronics field is one of rapid technological innovation and structural change. Here, our goal is to expand our business by offering highly innovative technologies, products, and services that meet the needs of our customers.

To accelerate the pace of growth in the global market, we will create more nimble manufacturing and development capabilities overseas.

[Stronger Management Foundation]

Where the Japanese market has slowed compared to the growing markets in emerging countries, the Nagase Group has chosen to focus expanding business in emerging and other international markets, establishing high-value-added businesses using our manufacturing and processing functions. Through investments in manufacturing, we have increased Group-wide manufacturing and processing bases in Japan and around the world, changing the fundamental shape of internal risk in the Group's manufacturing businesses.

To respond to these internal and external changes, we are engaged in creating a stronger consolidated management structure, building more mature risk management policies, and developing higher-caliber human resources.

With respect to stronger consolidated management structure, we continue build a more efficient Group management structure, encourage personnel interchange within the Group, and improve our IT infrastructure. To ensure a sound financial foundation, we are working to balance liabilities and equity at prudent levels, while keeping an eye open for any changes in our credit rating. At the same time, we are improving our ability to forecast present and future operating cash flows to balance investment (risk assets) and operating cash flows properly. From a perspective of efficient asset utilization, we are replacing older assets with newer, more profitable assets.

In terms of risk management, we are in the process of putting stronger systems into place for internal controls, risk management, and transaction risk control (as a manufacturer) across the Group's companies.

We are also in the process of establishing a stronger Group management foundation through hiring, training, and utilizing a talented workforce that can respond to the diverse demands of our businesses.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2011)	Current Consolidated Fiscal Year (March 31, 2012)
ASSETS		
Current assets		
Cash and time deposits	47,202	29,184
Notes and accounts receivable	186,113	197,702
Merchandise and finished goods	34,033	41,087
Work in process	531	1,292
Raw materials and supplies	2,150	2,879
Deferred tax assets	2,582	4,067
Other	5,881	7,299
Less allowance for doubtful accounts	(1,191)	(1,235)
Total current assets	277,304	282,280
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,258	45,398
Accumulated depreciation	(22,099)	(24,445)
Buildings and structures (net)	18,158	20,952
Machinery, equipment and vehicles	31,203	51,992
Accumulated depreciation	(24,326)	(42,856)
Machinery, equipment and vehicles (net)	6,876	9,136
Land	11,747	18,523
Others	15,601	24,282
Accumulated depreciation	(12,468)	(16,168)
Other (net)	3,133	8,114
Total property, plant and equipment	39,916	56,727
Intangible fixed assets		
Goodwill	1	32,079
Technology-based assets	–	21,669
Others	3,672	3,705
Total intangible fixed assets	3,674	57,454
Investments and other assets		
Investments in securities	50,726	49,014
Long-term loan receivable	599	1,122
Deferred tax assets	1,046	896
Other	2,661	3,612
Less allowance for doubtful accounts	(592)	(266)
Total investments and other assets	54,441	54,379
Total non-current assets	98,032	168,561
Total assets	375,336	450,842

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2011)	Current Consolidated Fiscal Year (March 31, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable	101,679	109,163
Short-term loans	15,525	38,633
Current portion of long-term debt	613	11,551
Accrued income taxes	3,947	3,170
Deferred tax liabilities	38	50
Provision for bonuses	3,342	3,632
Provision for officer bonuses	212	198
Others	13,157	15,290
Total current liabilities	138,517	181,689
Long-term liabilities		
Long-term debt	10,555	38,200
Deferred tax liabilities	8,810	7,251
Accrued retirement benefits for employees	7,295	10,032
Others	841	922
Total long-term liabilities	27,502	56,407
Total liabilities	166,020	238,097
Net assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,041
Retained earnings	181,665	186,907
Less treasury stock, at cost	(5,460)	(5,460)
Total shareholders' equity	195,946	201,188
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	13,188	12,731
Deferred (loss) gain on hedges	(8)	(21)
Translation adjustments	(7,610)	(9,191)
Total accumulated other comprehensive income	5,570	3,518
Stock acquisition rights	235	110
Minority interests	7,564	7,927
Total net assets	209,316	212,744
Total liabilities and net assets	375,336	450,842

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Net sales	660,213	631,854
Cost of sales	587,204	560,226
Gross profit	73,008	71,628
Selling, general and administrative expenses	54,276	58,200
Operating profit	18,732	13,427
Non-operating income		
Interest income	224	268
Divided income	1,157	1,018
Rent income	250	260
Investment profit on equity method	300	368
Foreign exchange gain	70	694
Others	878	874
Non-operating income, total	2,881	3,485
Non-operating expenses		
Interest expenses	568	692
Cost of rent revenues	17	46
Others	403	483
Non-operating expenses, total	988	1,221
Ordinary income	20,625	15,690
Extraordinary gains		
Gain on sale of non-current assets	526	16
Gain on sale of investment securities	1,190	1,759
Gain on reversal of stock acquisition rights	–	124
Gain on reversal of doubtful accounts	282	–
Gain on negative goodwill	20	–
Others	–	4
Total extraordinary gains	2,020	1,905
Extraordinary losses		
Loss on sale of non-current assets	22	5
Loss on disposal of non-current assets	217	172
Impairment loss	50	455
Loss on sale of investments securities	75	5
Loss on valuation of investments securities	260	383
Provision for doubtful accounts from affiliates	699	–
Loss on step acquisitions	341	–
Other	61	36
Total extraordinary losses	1,727	1,058
Net income before income taxes	20,918	16,536
Income taxes	7,005	6,980
Deferred taxes	280	118
Total income taxes	7,285	7,098
Net income before minority interests	13,632	9,438
Minority interests	809	867
Net income	12,823	8,570

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Net income before minority interests	13,632	9,438
Other comprehensive income		
Unrealized holding gain on securities	(1,780)	(456)
Deferred (loss) gain on hedges	(18)	(13)
Translation adjustments	(2,531)	(1,626)
Share of other comprehensive income of associates accounted for using equity method	(110)	(58)
Total other comprehensive income	(4,441)	(2,155)
Comprehensive income	9,191	7,282
Comprehensive income attributable to		
Comprehensive income, parent company	8,648	6,518
Comprehensive income, minority interests	542	764

(3) Consolidated Statement of Change in Shareholders' Equity

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Shareholders' equity		
Common stock		
Balance, beginning of period	9,699	9,699
Changes		
Total changes	–	–
Balance, end of period	9,699	9,699
Capital surplus		
Balance, beginning of period	10,040	10,041
Changes		
Disposal of less treasury stock	0	0
Total changes	0	0
Balance, end of period	10,041	10,041
Retained earnings		
Balance, beginning of period	171,286	181,665
Changes		
Cash dividends	(2,313)	(3,212)
Net Income	12,823	8,570
Changes in scope of consolidation	(51)	(118)
Changes in scope of equity affiliates	(137)	3
Increase due to merger	58	–
Total changes	10,379	5,241
Balance, end of period	181,665	186,907
Less treasury stock, at cost		
Balance, beginning of period	(5,427)	(5,460)
Changes		
Purchases of treasury stock	(33)	(0)
Disposal of treasury stock	0	0
Total changes	(33)	(0)
Balance, end of period	(5,460)	(5,460)
Total shareholders' equity		
Balance, beginning of period	185,599	195,946
Changes		
Cash dividends	(2,313)	(3,212)
Net Income	12,823	8,570
Purchases of treasury stock	(33)	(0)
Disposal of treasury stock	0	0
Changes in scope of consolidation	(51)	(118)
Changes in scope of equity affiliates	(137)	3
Increase due to merger	58	–
Total changes	10,346	5,242

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Balance, end of period	195,946	201,188
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities		
Balance, beginning of period	14,961	13,188
Changes		
Changes other than shareholders’ equity accounts (net)	(1,773)	(457)
Total changes	(1,773)	(457)
Balance, end of period	13,188	12,731
Deferred (loss) gain on hedges		
Balance, beginning of period	8	(8)
Changes		
Changes other than shareholders’ equity accounts (net)	(16)	(13)
Total changes	(16)	(13)
Balance, end of period	(8)	(21)
Translation adjustments		
Balance, beginning of period	(5,225)	(7,610)
Changes		
Changes other than shareholders’ equity accounts (net)	(2,384)	(1,580)
Total changes	(2,384)	(1,580)
Balance, end of period	(7,610)	(9,191)
Total accumulated other comprehensive income		
Balance, beginning of period	9,744	5,570
Changes		
Changes other than shareholders’ equity accounts (net)	(4,174)	(2,051)
Total changes	(4,174)	(2,051)
Balance, end of period	5,570	3,518
Stock acquisition rights		
Balance, beginning of period	235	235
Changes		
Changes other than shareholders’ equity accounts (net)	—	(124)
Total changes	—	(124)
Balance, end of period	235	110
Minority interests		
Balance, beginning of period	7,173	7,564
Changes		
Changes other than shareholders’ equity accounts (net)	390	363
Total changes	390	363
Balance, end of period	7,564	7,927

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Total net assets		
Balance, beginning of period	202,753	209,316
Changes		
Dividends of surplus	(2,313)	(3,212)
Net Income	12,823	8,570
Purchases of treasury stock	(33)	(0)
Disposal of treasury stock	0	0
Changes in scope of consolidation	(51)	(118)
Changes in scope of equity affiliates	(137)	3
Increase due to merger	58	—
Changes other than shareholders’ equity accounts (net)	(3,783)	(1,813)
Total changes	6,562	3,428
Balance, end of period	209,316	212,744

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Prior Consolidated Fiscal Year (April 1, 2010 - March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 - March 31, 2012)
Cash flows from operating activities		
Net income before income taxes	20,918	16,536
Depreciation and amortization	6,387	7,273
(Increase) decrease in notes and accounts receivable	(2,272)	(10,120)
(Increase) decrease in inventories	(6,472)	(7,417)
Increase (decrease) in notes and accounts payable	(4,273)	6,712
Others	706	(294)
Sub total	14,994	12,689
Interest and dividends received	1,596	1,467
Interest paid	(563)	(637)
Taxes paid	(5,029)	(7,829)
Cash flows from operating activities	10,997	5,690
Cash flows from investing activities		
Purchases of property, plant and equipment	(5,708)	(11,215)
Purchases of investment securities	(1,588)	(914)
Cash from sale of investment securities	2,082	2,151
Payment for acquisitions	(460)	(67,774)
Change in short-term loans (increase)	(1,225)	(175)
Payment for acquisition of intangible fixed assets	(1,825)	(1,420)
Others	(421)	(1,718)
Cash flows from investing activities	(9,147)	(81,066)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	6,114	22,976
Proceeds from long-term loans	138	39,257
Repayment of long-term debt	(60)	(1,527)
Cash dividends paid	(2,313)	(3,212)
Others	(313)	(532)
Cash flows from financing activities	3,564	56,961
Effects of exchange rate changes on cash and cash equivalents	(1,253)	(434)
Net increase (decrease) in cash and cash equivalents	4,161	(18,849)
Cash and cash equivalents at beginning of the year	42,807	47,202
Increase in cash and cash equivalents accompanying consolidation	204	165
Increase in cash and cash equivalents due to merger with non-consolidated subsidiaries	29	–
Cash and cash equivalents, end of period	47,202	28,517

(5) Assumption for Going Concern

No matters to report.

(6) Changes in Basic Matters related to the Preparations of Consolidated Financial Statements

(Change in the Scope of Consolidation or Application of Equity Method Accounting)

1) Number of consolidated subsidiaries	55
(New)	5
(Excluded)	1
2) Number of affiliates accounted under the equity method	11
(New)	2

(Additional Information)

Application of Accounting Standard for Accounting Changes and Error Corrections

Beginning with the current consolidated fiscal year, the Company has adopted Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009) to apply to future changes in accounting principles or correction of past accounting errors.

(7) Notes related to Consolidated Financial Statements

(Business Combinations)

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

(Business Combination through Acquisition)

Acquisition of Hayashibara Co., Ltd. stock

(1) Overview of Business Combination

a. Name and Business Lines of Company Acquired

Name of Business Acquired
Hayashibara Co., Ltd.
Business Lines
Manufacture, research and development, and sales of microorganisms, enzymes and enzyme-processed products made mainly from starch.

b. Reasons for the Business Combination

We believe that we can expect to develop synergies in terms of research, development, manufacturing, and sales in important bio and life sciences businesses to a scale matching the current Nagase Group chemicals, electronics, and plastics businesses. As such, Nagase acquired all outstanding shares of Hayashibara, making the company a wholly owned Nagase subsidiary.

c. Date of Business Combination

February 3, 2012

d. Legal Form of the Business Combination

Stock purchase

e. Name of the Company Post-Combination

Hayashibara Co., Ltd.

f. Percentage of Voting Shares Acquired

Number of Shares Acquired in Business Combination	300,000 shares
Percentage of Voting Shares Acquired	100%

g. Main Basis for Decision to Acquire Business

Acquisition of stock paid for using Company cash.

(2) Period of Earnings of Acquired Company Included in Consolidated Financial Statements
March 1, 2012 through March 31, 2012.

(3) Stock Acquisition Price and Details

Acquisition Price	¥15,000 million
Costs Directly Related to the Acquisition	¥278 million
Acquisition Cost	¥15,278 million

(4) Goodwill Amount, Source, Amortization Method and Amortization Period

a. Amount	¥30,321 million
b. Source	Goodwill stems from rational expectations for future excess earning power through business growth.
c. Amortization Method and Period	Straight-line method; 20 years

(5) Assets Acquired and Liabilities Incurred through Business Combination

Current assets	¥15,711 million
Non-current assets	¥17,983 million
Total assets	¥33,694 million
Current liabilities	¥11,814 million
Long-term liabilities	¥50,892 million
Total liabilities	¥62,707 million

(6) Amount and Amortization Period of Intangible Fixed Assets Other than Goodwill

Technology-based assets	¥ 21,800 million
Amortization period	13 to 17 years

(7) Approximate Amount and Calculation Method of Impact of Business Combination on Consolidated Statements of Income for the Current Consolidated Fiscal Year Assuming Acquisition was Completed on the First Day of the Current Consolidated Fiscal Year

The Nagase Group is presently making these calculations.

(Business Combination through Acquisition)

Acquisition of Engineered Materials Systems Inc. stock

(1) Overview of Business Combination

a. Name and Business Lines of Company Acquired

Name of Business Acquired

Engineered Materials Systems Inc.

Business Lines

Development, manufacture, and sales of commercial adhesives, conductive adhesives, and encapsulation materials

b. Reasons for the Business Combination

Engineered Material Systems Inc. is based in North America. The company manufactures adhesives, sealants, insulating materials and other high-value-added formulated epoxy resins used in inkjet printers, lighting fixtures, solar cells and a wide variety of other applications. We believe this company is highly complementary with the Nagase Group's formulated epoxy resin business, and that the company has a strong potential for future growth. By acquiring shares of Engineered Material Systems, we have secured a production base in North America, as well as creating an opportunity to integrate technologies with Nagase ChemteX Corp., which we believe will lead to global expansion of our electronics business as we engage in sales of high-value-added products in North America.

c. Date of Business Combination

January 5, 2012

d. Legal Form of the Business Combination

Stock purchase

e. Name of the Company Post-Combination

Engineered Materials Systems Inc.

f. Percentage of Voting Shares Acquired

Number of Shares Acquired in Business Combination	100 shares
Percentage of Voting Shares Acquired	100%

g. Main Basis for Decision to Acquire Business

Acquisition of stock paid for using Company cash.

(2) Period of Earnings of Acquired Company Included in Consolidated Financial Statements

January 5, 2012 through March 31, 2012

(3) Stock Acquisition Price and Details

Acquisition Price	US$23 million	(¥1,779 million)
Costs Directly Related to Acquisition	US$1 million	(¥93 million)
Acquisition Cost	US$24 million	(¥1,872 million)

* Yen value calculated according to exchange rates on January 5, 2012.

(4) Goodwill Amount, Source, Amortization Method and Amortization Period

a.	Amount	US$23 million (¥1,781million)
b.	Source	Goodwill stems from rational expectations for future excess earning power through business growth.
c.	Amortization Method and Period	Straight-line method; 20 years

(5) Assets Acquired and Liabilities Incurred through Business Combination

Current assets	US$4 million	(¥317 million)
Non-current assets	US$2 million	(¥184 million)
Total assets	US$6 million	(¥501 million)
Current Liabilities	US$5 million	(¥392 million)
Long-term liabilities	US$0 million	(¥18 million)
Total liabilities	US$5 million	(¥410 million)

(6) Approximate Amount and Calculation Method of Impact of Business Combination on Consolidated Statements of Income for the Current Consolidated Fiscal Year Assuming Acquisition was Completed on the First Day of the Current Consolidated Fiscal Year

Not presented, as the amount is immaterial.

(Form of the Jointly Controlled Entity)

Having transferred 50% of the outstanding shares of Nagase Colors & Chemicals Co., Ltd. (formerly a wholly owned subsidiary) to OG Co., Ltd., Nagase Co., Ltd. is now a 50% equity holder in Nagase Colors & Chemicals.

(Note) Nagase Colors & Chemicals Co., Ltd. changed its name to Nagase-OG Colors & Chemicals Co., Ltd. after an absorption-type merger with ON Co-Labo Corporation (affiliate accounted for under the equity method) and the transfer of the textiles and colors and imaging business from OG Co., Ltd.

(1) Overview of the Transaction

a. Name and Business Lines of Company Acquired

Name of Business Acquired

Textile-related business

Business Lines

Sales and consulting services related to dyestuffs/fiber-processing agents, functional processing agents, chemicals, petrochemicals, and textile products

b. Date of Business Combination

December 27, 2011

c. Legal Form of Business Combination

Creation of a jointly controlled entity between the Nagase Group and OG Co., Ltd., each party retaining a 50% equity interest

d. Name of the Company Post-Combination

Nagase Colors & Chemicals Co., Ltd.

e. Other Matters related to the Transaction

The Company and OG Co., Ltd. established ON Co-Labo Corporation as a joint venture in 2007 for the purpose of developing and expanding a joint textiles-related business in China.

While the two companies had an ongoing competitive relationship within Japan, the decision was made to integrate domestic and international operations to grow the worldwide textile business through an agreement with OG Co., Ltd. to form a jointly controlled entity.

f. Determination as a Jointly Controlled Entity

In creating this jointly controlled entity, we signed a basic joint enterprise agreement with OG Co., Ltd. naming Nagase Colors & Chemicals Co., Ltd. as the joint-investment company. Consideration paid for the business combination consisted solely of voting stock. There are no other certain circumstances indicating other controlling relationships. Accordingly, in our opinion, this business combination was formed as a jointly controlled entity.

(2) Overview of Accounting Method(s) Used

Under the Accounting Standard for Business Combinations (ASBJ Statement No. 21, December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, December 26, 2008), the Company has treated this transaction as the creation of a jointly controlled entity.

As a result of this business combination, the Company accounted for Nagase Colors & Chemicals Co., Ltd. as an affiliate under the equity method beginning with the consolidated third quarter.

(Segment Information)

1 Reportable Segments

The Company's reportable segments are those units comprising the Nagase Group for which separate financial information is available and for which the board of directors make regular decisions regarding resource allocation and operating performance.

The Company has established divisions within its headquarters organized along product lines or industries. Each division executes business activities based on a comprehensive domestic and international strategy for each product the division handles.

Accordingly, the Company consists of segments organized into divisions along product lines or industries. These reportable segments include Chemicals, Plastics, Electronics, and Life Sciences.

The Chemicals segment is engaged in the sales of chemicals across a wide variety of industries. Major products in this segment include dyestuffs, pigments, information recording paper-related products, functional dyes, coating/ink materials, urethane materials, plastic materials, resin additives, industrial oil materials, surfactants, fluorochemicals, sealant materials, and silicone materials.

The Plastics segment is engaged in the sales of Company products to the automotive and auto components manufacturing, home appliances, office automation, and housing industries. Major products in this segment include thermoplastic resins, thermosetting resins, synthetic rubber, inorganic materials, plastic products, plastic-related equipment, devices, dies, and external inspection equipment.

The Electronics segment is engaged in the sales of Company products to the display, touch panel, LCD, semiconductor, electronics components, and heavy electrical industries. Major products in this segment include pre-processing materials and devices for LCD/semiconductors, materials for LCD panels, materials and devices for semiconductor assembly, precision cleaning agents for electronics, low-temperature/vacuum equipment, and high-function epoxy resins.

The Life Sciences segment is engaged in the sales of pharmaceuticals/agricultural chemical raw materials, reagents, test agents, enzymes, bio-science-related products, sales of food additives, cosmetics additives, cosmetics and health foods/beauty foods, and radiation measurement services.

2 Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment

Profit in reportable segments is defined as operating profit. Inter-segment profits and transfers are based on actual market prices.

3 Information related to Net Sales, Profit (Loss), Assets, Liabilities, and Other by Segment
Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Segments					Other (Notes)1	Total	Corporate (Notes)2	Adjustments (Notes)3	To Consolidated Financial Statements (Notes)4
	Chemicals	Plastics	Electronics	Life Sciences	Sub-Total					
Net Sales										
Sales to Customers	270,294	222,100	116,636	50,247	659,279	934	660,213	–	–	660,213
Intersegment Sales/Transfers	2,315	2,676	544	514	6,050	5,461	11,512	–	(11,512)	–
Total	272,609	224,777	117,180	50,762	665,330	6,395	671,725	–	(11,512)	660,213
Segment Profit (Loss)	9,093	4,767	5,827	956	20,645	13	20,659	(2,685)	758	18,732
Segment Assets	113,533	100,265	53,890	30,136	297,826	7,371	305,198	101,437	(31,299)	375,336
Other										
Depreciation and Amortization	474	586	2,697	650	4,409	398	4,807	1,579	–	6,387
Amortization of Goodwill	7	–	103	–	110	–	110	–	–	110
Goodwill	1	–	–	–	1	–	1	–	–	1
Investments in Equity Affiliates	99	786	74	1,534	2,495	1,669	4,164	–	–	4,164
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	398	1,014	2,167	262	3,843	47	3,891	3,321	–	7,212

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments					Others (Notes)1	Total	Corporate (Notes)2	Adjustments (Notes)3	To Consolidated Financial Statements (Notes)4
	Chemicals	Plastics	Electronics	Life Sciences	Sub-Total					
Net sales										
Sales to customers	251,942	219,209	110,513	49,170	630,835	1,018	631,854	–	–	631,854
Intersegment sales and transfers	2,211	2,639	725	629	6,206	5,369	11,576	–	(11,576)	–
Total	254,153	221,849	111,239	49,799	637,042	6,388	643,431	–	(11,576)	631,854
Segment income (loss)	7,154	3,071	6,017	710	16,953	141	17,094	(4,471)	804	13,427
Segment Assets	118,175	107,585	58,025	114,198	397,985	7,165	405,150	154,761	(109,070)	450,842
Other										
Depreciation and amortization	622	757	2,372	816	4,568	343	4,912	2,361	–	7,273
Amortization of Goodwill	1	–	23	126	151	–	151	–	–	151
Goodwill	–	–	1,884	30,195	32,079	–	32,079	–	–	32,079
Investments in Equity Affiliates	551	732	146	1,598	3,028	1,725	4,753	–	–	4,753
Increase in Property, Plant, and Equipment and Intangible Fixed Assets	1,107	1,720	4,079	1,438	8,346	99	8,445	4,736	–	13,182

(Notes)

1. Other is a business segment consisting of businesses not included in reportable segments, and includes distribution services, information processing services, and professional services.
2. Corporate segment income represents expenses not allocated to reportable segments or Other.
3. Adjustments are eliminations of intersegment transactions.
4. The sum of segment income totals, Corporate and Adjustments is equivalent to operating profit as presented in the consolidated statements of income.
5. Changes in reportable segments:
   To more fully take advantage of potential synergies, the Company moved precision/abrasive materials, solar cell-related materials, and hard disc-related materials from the Electronics segment into the Chemicals segment beginning with the first quarter of the consolidated fiscal period.
   For the prior consolidated fiscal year, we have presented information related to net sales and profit (loss) for each reportable segment created according to the new categorization.

(Other Information)

Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

1 Products and Services

Omitted, since the same information has been disclosed under Segment Information.

2 Geographic Information

(1) Net Sales

(Millions of yen)

Japan	China	Other	Total
389,379	112,631	158,202	660,213

(Notes) Net sales are categorized by country or region, according to the location of the customer.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Others	Total
36,627	3,289	39,916

3 Major Customers

Information not presented here, since no single customer accounts for 10% or more of consolidated net sales.

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

1 Products and Services

Omitted, since the same information has been disclosed under Segment Information.

2 Geographic Information

(1) Net Sales

(Millions of yen)

Japan	China	Others	Total
366,369	122,501	142,983	631,854

(Note) Net sales are categorized by country or region, according to the location of the customer.

(2) Property, Plant and Equipment

(Millions of yen)

Japan	Others	Total
53,569	3,158	56,727

3 Major Customers

Information not presented here, since no single customer accounts for 10% or more of consolidated net sales.

(Impairment of Non-Current Assets by Reportable Segment)

Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

(Millions of yen)

	Reportable Segments					Others	Corporate/ Eliminations	Total
	Chemicals	Plastics	Electronics	Life Sciences	Sub-Total			
Impairment Loss	–	–	–	–	–	–	50	50

(Note) Corporate/Eliminations represent idle assets across all corporate segments.

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

(Millions of yen)

	Reportable Segments					Others	Corporate/ Eliminations	Total
	Chemicals	Plastics	Electronics	Life Sciences	Sub-Total			
Impairment Loss	–	–	319	54	373	82	–	455

(Notes) The amount in Electronics is related to assets related to the Company's abandonment of the LCD panel materials processing business in China. These assets have been written down to recoverable book values.
The amount in Life Sciences is related to idle assets that have been written down to recoverable book value due to significant decline in market values.
The amount in Other is related to assets related to the Company's abandonment of certain parking structures operated by subsidiaries. These assets have been written down to recoverable amount.

(Goodwill Amortization, Unamortized Balances by Reportable Segment)

Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

Omitted, since the same information has been disclosed under Segment Information.

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

Omitted, since the same information has been disclosed under Segment Information.

(Gain on Negative Goodwill by Reportable Segment)

Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)

During the current consolidated fiscal year, the Chemicals business recorded a ¥20 million gain on negative goodwill as extraordinary gains. This gain was recorded because the Company made addition purchases of Sofix Corporation, making the entity a consolidated subsidiary. Prior to this, Sofix had been accounted for under the equity method.

Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)

No matters to report.

(Per-Share Data)

Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)		Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)	
Net Assets per Share	¥1,568.04	Net Assets per Share	¥1,592.87
Earnings per Share	¥99.76	Earnings per Share	¥66.69
Diluted earnings per share not presented, as the Company does not issue any stock with dilutive effects.		Diluted earnings per share not presented, as the Company does not issue any stock with dilutive effects.	

(Notes) Basis for calculation
Earnings per share and diluted earnings per share

Item	Prior Consolidated Fiscal Year (April 1, 2010 to March 31, 2011)	Current Consolidated Fiscal Year (April 1, 2011 to March 31, 2012)
Net income from consolidated statements of income (millions of yen)	12,823	8,570
Net income related to common stock (millions of yen)	12,823	8,570
Average number of outstanding shares of common stock (shares)	128,535,317	128,514,527
Main reason for increase in number of commons shares used to calculate diluted earnings per share (shares) Stock acquisition rights	–	–
Dilutive stock not included in calculation of diluted earnings per share (no dilutive effect) Number of stock acquisition rights (units)	1,614	826

(Significant Subsequent Events)

No matters to report.

4. Other

Year ended March 31, 2012 Financial Highlights (Consolidated)

[Sales in overseas markets]

(Millions of yen)

Item	Current Consolidated Fiscal Year		Prior Consolidated Fiscal Year		Change
	Amount	Overseas Sales/ Consolidated Sales (%)	Amount	Overseas Sales Consolidated Sales (%)	
Overseas Sales	265,484	42.0	270,833	41.0	(5,348)
Northeast Asia	155,692	24.6	159,485	24.1	(3,793)
Southeast Asia	72,882	11.5	77,144	11.7	(4,261)
North America	21,236	3.4	18,974	2.9	2,261
Europe & Other	15,673	2.5	15,229	2.3	443

(Notes)

1. Sales in overseas markets consist of net sales of the Company and consolidated subsidiaries in other countries or regions.
2. Major countries in each region
   (1) Northeast Asia ······ Taiwan, China
   (2) Southeast Asia ······ Singapore, Thailand
   (3) North America ······ U.S.
   (4) Europe & Others ····· Germany

[Income (Loss)]

(Millions of yen)

Item	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Change / Change (%)
Net sales	631,854	660,213	(28,358)
			(4.3%)
Chemicals	251,942	270,294	(18,351)
Plastics	219,209	222,100	(2,891)
Electronics	110,513	116,636	(6,123)
life sciences	49,170	50,247	(1,077)
Others	1,018	934	84
Gross profit	71,628	73,008	(1,380)
(Profit Ratio)	(11.3%)	(11.1%)	(1.9%)
Selling, general and administrative expenses	58,200	54,276	3,924
Selling expense	8,768	8,475	292
Payroll	26,364	24,128	2,236
Depreciation and amortization	3,058	2,623	434
Others	20,009	19,048	960
Operating profit	13,427	18,732	(5,305)
			(28.3%)
Financial Profit	594	813	(219)
Interest income	268	224	43
Divided income	1,018	1,157	(139)
Interest expenses	692	568	124
Other non-operating profit (Loss)	1,669	1,079	589
Ordinary income	15,690	20,625	(4,934)
			(23.9%)
Extraordinary gains	1,905	2,020	(114)
Extraordinary losses	1,058	1,727	(668)
Total income taxes	7,098	7,285	(186)
Minority interests	867	809	58
Net income	8,570	12,823	(4,252)
			(33.2%)

Overview

[Net sales]

Chemicals: Increase in net sales in Southeast Asia, Europe and North America. Decline domestically and in Northeast Asia.
Lower sales of dyestuffs, specialty chemicals.

Plastics: Lower exports of resin raw materials, molding machines for office equipment and appliance applications.
Higher sales in automobile business for Northeast Asia, Southeast Asia, North America.

Electronics: Growth in electronic materials for touch panels, smartphones, LED lighting.
Lower sales this period due to abandonment of lower profit business. Minimum impact on profits.
Strong sales of formulated epoxy resins in electronic chemicals business; lower overall sales due to declines in chemicals used for LCD panel, semiconductor manufacturing applications.

Life sciences: Strong sales in pharmaceutical manufacturing materials; lower sales in pharmaceutical raw materials/intermediates, agricultural chemicals, enzymes.
Slow sales of health foods in beauty care business led to lower sales.

[Gross profit]

Higher profits in Electronics, Life Sciences. Lower profits in Chemicals, Plastics.

[Selling, general and administrative expenses]

- Selling expense (+292): Increase in parents warehousing expenses (+135)
- Payroll(+2,236): Increased employee retirement benefits (+848), employee bonuses (+707)
- Depreciation and amortization(+434): Increase in parents depreciation and amortization(+326)
- Other (+960): Increased provision for doubtful accounts (+433)

[Operating profit]

Higher profit in Electronics. Lower profit in Chemicals, Plastics, Life Sciences

[Extraordinary gains]

- Gain on sale of investment securities 1,759

[Extraordinary losses]

- Impairment loss 455
- Loss on valuation of investments securities 383

[Assets, Liabilities]

(Millions of yen)

Item	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Change
Current assets	282,280	277,304	4,976
Non-current assets	168,561	98,032	70,529
PP&E/intangible Fixed Assets	114,182	43,590	70,591
Investments and other assets	54,379	54,441	(61)
Total assets	450,842	375,336	75,505
Current liabilities	181,689	138,517	43,172
short-term loans	38,633	15,525	23,108
Current portion of long-term debt	11,551	613	10,937
Others	131,505	122,378	9,126
Long-term liabilities	56,407	27,502	28,904
Long-term debt	38,200	10,555	27,644
Others	18,206	16,947	1,259
Total liabilities	238,097	166,020	72,076
Interest-bearing debt	88,710	27,125	61,585
Shareholders' equity	201,188	195,946	5,242
Accumulated other comprehensive income (loss)	3,518	5,570	(2,051)
Stock acquisition rights	110	235	(124)
Minority interests	7,927	7,564	363
Total net assets	212,744	209,316	3,428
Net worth ratio	45.4%	53.7%	

Overview

[Current assets]

Decrease in cash and deposits (-18,017); increase in notes and accounts receivable (+11,589), inventories (+8,545)

[Non-current assets]

- Property, plant and equipment (+16,811): Land purchases (+6,776)
- Intangible fixed assets (+53,780): Increases mainly goodwill(+32,079), technology assets (+21,669)

[Current liabilities]

- Short-term loans: Increase in parents loans (+22,586)
- Current portion of long-term debt: Increase in parents debt (+10,879)
- Others: Increase in trade payables (+7,483)

[Long-term liabilities]

- Long-term debt: Increase in parents debt (+27,763)

* Interest-bearing debt mainly increased due to loans for funds to finance/invest in Hayashibara

[Net assets]

- Shareholders' equity: Net income increase resulted in retained earnings increase (+8,570)
- Accumulated other comprehensive income (loss): Decrease in translation adjustments (-1,580)

(Note) Figures inside parentheses of explanatory text indicate comparative change

Earnings Performance and Fiscal 2013 Earnings Forecast

(Millions of yen)

	FYE March 2009	FYE March 2010	FYE March 2011	FYE March 2012	FYE March 2013 (forecast)	Year-on-Year Change
Net Sales	715,238	603,949	660,213	631,854	700,000	110.8%
Chemicals	263,114	237,124	270,294	251,942	–	
Plastics	255,859	192,569	222,100	219,209	–	
Electronics	135,773	117,591	116,636	110,513	–	
Life sciences	58,905	55,542	50,247	49,170	–	
Other	1,585	1,121	934	1,018	–	
Gross profit	71,527	65,415	73,008	71,628	87,500	122.2%
Ratio	10.0%	10.8%	11.1%	11.3%	12.5%	
Operating profit	12,522	13,128	18,732	13,427	19,500	145.2%
Ratio	1.8%	2.2%	2.8%	2.1%	2.8%	
Ordinary income	13,052	14,712	20,625	15,690	20,500	130.7%
Ratio	1.8%	2.4%	3.1%	2.5%	2.9%	
Net income	5,808	7,537	12,823	8,570	15,500	180.9%
Ratio	0.8%	1.2%	1.9%	1.4%	2.2%	
Total assets	340,968	368,088	375,336	450,842		
Equity capital	184,599	195,344	201,516	204,706		
Net worth ratio	54.1%	53.1%	53.7%	45.4%		
ROE (Equity capital/profit ratio)	3.0%	4.0%	6.5%	4.2%		
ROA (Total assets/profit ratio)	1.5%	2.1%	3.4%	2.1%		
Earnings per share (¥)	45.17	58.64	99.76	66.69	120.61	180.9%
Debt to cash flow ratio (x)	0.03	–	–	–		
Consolidated companies	62	59	60	66	81	
Consolidated subsidiaries	51	49	51	55	61	
Equity method affiliates	11	10	9	11	20	

Note 1: ROE = net income /{(equity capital, beginning of period + equity capital, end of period) / 2}
ROA = net income / {(total assets, beginning of period + total assets, end of period) / 2}
Note 2: Debt to Cash Flow Ratio = (Interest-bearing debt – cash and deposits) / equity capital

[Earnings Forecast by Segment]

	FYE March 2013 Forecast
Net sales	700,000
Functional Materials	194,000
Advanced Materials & Processing	236,000
Electronics	117,000
Automotive & Energy	77,000
Life & Healthcare	75,000
Other	1,000

The Company has reorganized business segments to more fully concentrate the strengths of the entire group, reflecting the respective positions of each business in the value chain, as well as the most closely aligned industry. The new segments are Functional Materials, Advanced Materials & Processing, Electronics, Automotive & Energy, and Life & Healthcare.

Consolidated Companies

[Ratio of Profitable to Unprofitable Companies] (Units: Companies)

Category		Current Consolidated Fiscal Year			Prior Consolidated Fiscal Year		
		Profitable Co’s	Unprofitable Co’s	Total	Profitable Co’s	Unprofitable Co’s	Total
Consolidated Subsidiaries	Japan	20	5	25	19	3	22
	Overseas	23	7	30	25	4	29
Equity Method Affiliates	Japan	7	2	9	6	1	7
	Overseas	2	0	2	2	0	2
Composition Ratio (%)		79%	21%	100%	87%	13%	100%

– Major Profitable Companies –

Category	Company Name	Main Business Lines
Domestic Consolidated Subsidiaries	Nagase ChemteX Corp.	Manufacture of epoxy resins, enzyme-processed products, commercial chemicals
	Nagase Plastics Co., Ltd.	Sales of synthetic plastic materials and products
Overseas Consolidated Subsidiaries	Nagase Electronics Technology Co., Ltd.	Thin-glass processing via chemical etching of LCD glass panel units
	Nagase (Hong Kong) Ltd.	Import/export, brokerage, market development, information collection
Equity Method Affiliates	Nippon Vopak Co., Ltd.	Warehousing, trucking, and shipping services

– Major Unprofitable Companies –

Category	Company Name	Main Business Lines
Domestic Consolidated Subsidiaries	Fukui Yamada Chemical Co., Ltd.	Manufacture of pressure-sensitive, heat-sensitive dyes
	Setsunan Kasei Co., Ltd.	Plastics color processing, sales
Overseas Consolidated Subsidiaries	Nagase Precision Plastics (Shanghai) Co., Ltd.	Plastic tray molding
	Sofix Corp.	Manufacture of pressure-sensitive, heat-sensitive dyes
Equity Method Affiliates	SN Tech Corporation	Manufacture, recycling of developing chemicals

[Employees] (Unit: People)

Current Consolidated Fiscal Year				Change			
Parents	Consolidated Subsidiaries	Equity Affiliates	Total	Parents	Consolidated Subsidiaries	Equity Affiliates	Total
961	4,584	1,222	6,767	(2)	854	94	946

* Change indicates change versus prior consolidated fiscal year.