A technology- and intelligence-oriented company
that turns wisdom into business.

NAGASE
Annual Report 2010
Year ended March 31, 2010

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

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Printed in Japan
Corporate Profile

The Nagase Group comprises more than 100 companies and offices in Japan and overseas. In positioning chemicals and plastics as core segments, together with the three strategic fields of electronics, life sciences and automotive-related materials, Nagase offers 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 (Ciba, today part of the BASF Group), 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; a number of employees possessing advanced technical information; 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.
10-Year Financial Highlights

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

(Millions of Yen) (Millions of Yen) Change

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<tbody>
<tr>
<td>Net Sales</td>
<td>1,042,762</td>
<td>1,062,894</td>
<td>1,075,549</td>
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<tr>
<td>Net Income (Loss)</td>
<td>4,945</td>
<td>1,673</td>
<td>8,433</td>
<td>10,244</td>
<td>13,256</td>
<td>17,596</td>
<td>21,669</td>
<td>23,063</td>
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<td>ROE (Nagase ROE)</td>
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<tr>
<td>Net Worth Ratio</td>
<td>43.4%</td>
<td>48.0%</td>
<td>49.5%</td>
<td>50.3%</td>
<td>49.8%</td>
<td>49.6%</td>
<td>48.5%</td>
<td>47.8%</td>
<td>54.1%</td>
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<td>Debt to Equity Ratio (Times)</td>
<td>0.16</td>
<td>0.14</td>
<td>0.12</td>
<td>0.11</td>
<td>0.08</td>
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<td>Plastics</td>
<td>254,480</td>
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<td>Electronics</td>
<td>14,871</td>
<td>13,322</td>
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<td>Life Sciences</td>
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From WIT Medium-Term Management Plans E: EXCHANGE**T1

<table>
<thead>
<tr>
<th>Plan</th>
<th>2000 (Reform)</th>
<th>2008 (Reinforcement)</th>
<th>2010 (2009)</th>
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<td>Investment Amount (¥ billion)</td>
<td>200.0</td>
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<td>Net Sales (¥ billion)</td>
<td>603.9</td>
<td>559.4</td>
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<td>Operating Income (¥ billion)</td>
<td>243.6</td>
<td>237.1</td>
<td>237.1</td>
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<tr>
<td>Net Income (¥ billion)</td>
<td>4,945</td>
<td>1,673</td>
<td>8,433</td>
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Note: Segment shares do not total 100% because calculations were rounded off to the second decimal place.
To Our Stakeholders

Nagase will continue its process of renewal based on its management philosophy of “good and fair business practices,” as it aims to be a unique “technology- and intelligence-oriented company that turns wisdom into business.”

The chemical industry in which we operate is in the midst of a major transformation with the markets for crude oil and raw materials undergoing structural shifts as new petroleum plants go online in the Middle East and other areas. To respond to these developments, in April 2009 we formulated the medium-term management plan, “CHANGE” 11.

Thanks to all of our stakeholders, in fiscal 2009, the year ended March 31, 2010, and the first year of “CHANGE” 11, our core initiatives achieved firm results. Specifically, we endeavored to reorganize underperforming businesses through selection and concentration; to build businesses around environmental- and energy-related technologies through M&A and other activities in key environmental fields; pursued M&A and capital investments to strengthen R&D and manufacturing functions; and promoted globalization by establishing overseas subsidiaries with local management.

In the fiscal year ending March 31, 2011, we will continue to apply our energies to these and other core initiatives. To this end, all directors will steadfastly execute their duties and each and every employee of the Group will act in virtue, keeping in their sights the goal of being a unique “technology- and intelligence-oriented company that turns wisdom into business.”

July 2010

The Directors of Nagase & Co., Ltd.
Global Trends in Supply and Demand of Ethylene-Based Products

Q. Upstream in the petrochemicals industry, new plants have gone online in the Middle East, bringing a seminal change to the market structure. Could you tell us what that means for Nagase?

A. Nagase’s business domains include electronic materials, pharmaceutical intermediates, bio-technology solutions and other fine chemicals as well as plastics and the materials for paints and cleaning agents used in intermediate products (derivatives). Derivatives are produced from ethylene, propylene and other basic products that are, in turn, made from the raw materials of naphtha and natural gas. This makes it a situation where fluctuations in the supply and demand of basic products can exert an impact on derivatives.

As you can see in the graph to the right, demand for ethylene-based products in China in 2008 was for 14.3 million tons while the internal supply was 10.9 million tons. The resulting shortfall of 4.7 million tons was covered primarily by a structure where out of other countries, chiefly in the Middle East, flows to the Asia-Pacific region. We can see that this was a catalytic factor behind the long-term number of new petrochemical plants going online in the Middle East and also new ethylene plants entering the market. The surge in demand for petrochemical products associated with economic growth in China and the other BRICS countries as well as countries in Asia in 2009, a number of new petrochemical plants in the Middle East delayed the start-up of operations or revised their plans, including cancellations. Nevertheless, annual ethylene production in the Middle East is still expected to exceed 19.5 million tons in 2015 and the tide of major change, if sustained, will be rendered. There are two factors behind this: (1) the overwhelming cost advantage of ethylene cracker feedstock; and (2) Middle East-based companies stepping up their petrochemical-oriented investment in Asia, trends toward high-value-added products and the diversification of destinations against a backdrop of employment generation. The pace of major change is therefore anticipated to accelerate in 2010.

Indeed, we are seeing Middle East-based companies stepping up their petrochemicals-related investment in Asia, trends toward high-value-added products and the region is achieving economies of scale, with a production capacity of over 14 million tons (2008 figures).

Q. Given this market environment, where the pace of change is expected to pick up, could you please discuss the impact on Nagase and what changes the Company should take.

A. With the overwhelming cost advantage, Middle East-produced ethylene has gradually gained a foothold in the market, and this encouragement to prompt changes in the production and equipment trends of every one of Japan’s petrochemical makers. You could say that Nagase’s business base has been impacted.

All of Japan’s petrochemical makers have linked up with Middle Eastern state-owned resource companies for the Rabigh Project* and have streamlined their existing equipment while waiting to establish ties with yet other companies. Looking to the future, if these Japanese makers’ existing ethylene and other manufacturing plants were to close down, of course, the decisions that Nagase makes would also sooner or later be produced. That’s why Nagase is endeavoring to establish close ties with every one of the Japanese petrochemical makers—to meet the supply needs of our Group’s user companies.

Note: * Petro Rabigh, a joint venture between Sumitomo Chemical Co., Ltd. and Saudi Arabian Oil Company (Saudi Aramco), is located in Rabigh, in the Kingdom of Saudi Arabia. Petro Rabigh operates an enormous integrated complex that simultaneously conducts petrochemical processing and production.

Q. What is the situation in the downstream market? Please give an example.

A. Performance in the fiscal year ended March 31, 2010 was marked by a notable recovery, particularly in the liquid crystal industry. Liquid crystal is an essential component of liquid crystal TVs and other digital devices, and the market is vast. This, together with the earlier mentioned tailoring global supply and demand trends for ethylene-based products, is anticipated to grow even more, driven by Chinese demand and breaking through the 250 million unit level by 2010. According to research company DisplaySearch. When we take a look at such growth, of course competition will be fierce, but the battle for market share among competitors in Korea, Taiwan, China and Japan is already escalating. The materials delivered by<br>
Although sales of each product handled was affected on an individual basis, the net impact on earnings from foreign sales was impacted by the reorganization of several businesses in the processing industry of South China. Sales in Life Sciences declined 5.7% to ¥55.5 billion, while the overseas sales ratio was at about 20%. The impact on this segment was nominal, but performance was impacted by the reorganization of several businesses in the processing industry of South China.

Factors Influencing the Change in Operating Income

A. What were the factors behind the increase in operating income?

1. Increase in net sales
2. Decrease in overseas subsidiaries’ sales
3. Decrease in other SG&A expenses
4. Decrease in SG&A expenses
5. Decrease in amortization of actuarial benefit accounting gain in retirement benefit accounting
6. Decrease in gain in retirement benefit accounting
7. Decrease in depreciation charges
8. Decrease in other SG&A expenses
9. Decrease in gain in retirement benefit accounting
10. Decrease in interest expenses

B. Please refer to Fiscal 2009 Status of Key Initiatives and Overseas Net Sales Ratios for more information on the progress of each initiative.

Looking Back on the First Year of "CHANGE" 11

The basic strategy of "CHANGE" 11 is to improve the quality of business and operations. This expresses our recognition that we have no choice but to change in response to the changing environment. The main initiatives of "CHANGE" 11 are as follows:

1. Select and concentrate businesses
2. Build businesses around environment- and energy-related technologies
3. Strengthen R&D and manufacturing functions
4. Promote globalization
5. Strengthen risk management
6. Promote employee diversity and work-life balance
7. Strengthen risk management
8. Continuous enhancement of risk management structure to support product management when importing or exporting through initiatives that include formulation of internal rules to address the Foreign Exchange and Foreign Trade Control Law and revision to the Chemical Substances Control Law.
9. Dismissal leave extended to make employees more mobile
10. Continued trend in tailoring to customer data

Fiscal 2009 Status of Key "CHANGE" 11 Initiatives and Overseas Net Sales Ratios

- 9
- 10
- 12
- 0
- 60
- 45
- 30
- 15
- 0
- 0%
- 2.5%
- 2.6%
- 2.5%
- 24%
- 59.7%
- 11.2%
NAGASE & CO., LTD.
Annual Report 2010

Q. In fiscal 2010, Nagase anticipates increased sales and income, with net sales up 7.1% year on year to ¥647.0 billion, operating income expanding 14.3% to ¥15.0 billion and net income rising 26.0% from previous fiscal year to ¥9.5 billion. Please tell us the basis for these numerical projections.

A. In fiscal 2010, we believe China and Asia will continue to play their pivotal role as drivers of an ongoing gradual recovery. However, it is impossible to be overly optimistic when we know that measures to stimulate the Japanese economy have run out of steam. Meanwhile, concern over financial concerns, especially in Europe, and the future lacks clarity, even in view of the Shanghai Expo in China.

In fiscal 2010, Nagase anticipates increased sales on the back of recovery in demand for automobiles in Northeast Asia and other locations. Sales are expected to increase in Electronics as well, owing to a stable upward trend in demand for liquid crystal-related products, and in response, the expansion of manufacturing functions and bases both in Japan and overseas. Also, the chemical recycling plant in Shikoku’s “Green Front Sakai” will be online for the fall year, helping to drive an increase in sales. On the other hand, plant amortization is one of the factors working to suppress earnings.

In conclusion, because of the financial concerns with Europe and other factors I have mentioned that are contributing to instability in the business environment, the consolidated operating income target of ¥15.0 billion for the fiscal year of the results-term management plan may, depending on the business environment, have to be revised.

Q. In the previous fiscal year, Kawai Hiryo Corporation in Shikoku Prefecture-based maker and marketer of organic fertilizer with net sales of several billion yen and several hundred employees, became a member of the Nagase Group through a stock acquisition. Kawai Hiryo produces and markets organic fertilizers from industrial byproducts, namely food (bean-curd refuse, egg shells, poultry manure and straw). This organic fertilizer — sold to 15,000 farmers — is custom-blended based on the results of analysis of each individual client farm’s soil and crops.

The business model employed by Kawai Hiryo takes into account every level of resource circulation: 1) the blending and sale of organic fertilizer made from food waste; 2) crop safety at each farm; 3) delivery to market; 4) the quality of processed food waste supplied by food processing companies and at the sales stage; and 5) the creation of recycled fertilizer from food waste.

Nagase has traditionally handled agricultural chemicals in the Life Sciences segment, and as such is naturally interested in agriculture. This M&A is a particularly good fit for both companies as it enables the development of an ideal business that can combine Nagase’s forte in “upstream” and Kawai Hiryo’s forte in “downstream” and apply it to the organic fertilizer blending process as well as leverage the group’s human resources and overseas networks.

The two farming people who are involved in this initiative are on the “Green Eco Farm Concept” on May 1, 2010 Nagase established the Officer Compensation Committee. Upon consideration of adequate levels and systems for compensation, this committee reports and makes recommendations to the Board of Directors.

Q. Please tell us about Nagase’s basic policy for M&A activities in the bio-refining field.

A. In this previous fiscal year, Kawai Hiryo Corporation in Shikoku Prefecture-based maker and marketer of organic fertilizer with net sales of several billion yen and several hundred employees, became a member of the Nagase Group through a stock acquisition. Kawai Hiryo produces and markets organic fertilizers from industrial byproducts, namely food (bean-curd refuse, egg shells, poultry manure and straw). This organic fertilizer — sold to 15,000 farmers — is custom-blended based on the results of analysis of each individual client farm’s soil and crops.

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Performance in the domestic market improved from the first half due to recovery in the digital display industry. In the second half, recovery in both the digital display and automotive industries boosted performance, resulting in an improvement year on year. While performance was impacted by a delayed recovery in the thermal toner industry and the impact of exchange rate fluctuations, overseas performance was

In the handling of essential chemicals that are the functional materials that connect information and people, the Colors & Imaging Department concentration on how to respond to significant business environment changes in the domestic petrochemical industry due to the economic downturn. There was a roughly six-month time lag before the effects of the downturn were felt, and its effects appeared

Although the Electronic Materials Department’s major fields of displays, semiconductors and HDDs all recorded performance

The Fine Chemicals Department provides a broad range of products and services related to healthcare, food and habitat, such as pharmaceuticals,

The Functional Fine Chemicals Department, which has been manufacturing engines in Japan and now rating up to its business, manufacturing automobiles and automotive accessories, has recorded performance

The Petrochemicals Business Unit, which is now energy-related and involves various fields including energy-related materials, has recorded performance

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In 2008, Nagase strengthened its business in the automotive electronics industry and actively pursued business in this field

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Nagase Group at a Glance

<table>
<thead>
<tr>
<th>Segment</th>
<th>Expenditure</th>
<th>Expenditure Overview</th>
<th>Main Products and Services</th>
<th>Customer Segments (by Business Area)</th>
<th>Performance/Market Overview (Year-End March 31, 2010)</th>
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<td><strong>Chemicals</strong></td>
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<td><strong>Electronic</strong></td>
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<td><strong>Life Sciences</strong></td>
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<td><strong>Beauty Care</strong></td>
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1. With plenty of room remaining for economic growth overseas and the expectation that M&A and business tie-ups will accelerate within this industry, the Colors & Imaging Department will strengthen its competitive advantages by implementing business models that build on the company's competitive advantages. We will also promote business models in which the company conducts development activities, such as the introduction of new technologies, through the cooperation of NAW, Nagase R&D Center and affiliated manufacturing companies.

In fiscal 2009, the Performance Chemicals Department will invest in the long-term business of the company through joint ventures with strategic partners in order to effectively promote its business and achieve synergies in production, sales and marketing.

In the urethane business, we aim to build new businesses targeting BRICs and other emerging countries, while in the coating material business, we will investigate the establishment of overseas businesses in order to build new businesses in the carbon nanotube and biomass fields, which are expected to grow in the future.

In the coating material business, we launched a new coating “Global Coating Team” (GCT) with the aim of further strengthening the company’s business model in order to continue improving the company’s business model. Furthermore, we will provide services that have a quality equivalent to those offered in Japan.

In the Speciality Chemicals Department, we will strive to increase the synergistic effects of the Speciality No. 3 segment in fiscal 2010. At the same time, we will strengthen our relationship with current partners and concentrate on developing new materials.

In fiscal 2009, the company-wide strategies outlined within “CHANGE” 11 involved the following three objectives: creating a business model that builds on the Nagase Group’s competitive advantages; promoting a business model in which the company conducts development activities, such as the introduction of new technologies, through the cooperation of NAW, Nagase R&D Center and affiliated manufacturing companies; and expanding the number of development proposals in response to numerous inquiries received from customers about undertaking procurement from China, a move that, in turn, led to business growth.

In fiscal 2009, we implemented company-wide strategies outlined within “CHANGE” 11, which were aimed at following the company’s strategies in the global petrochemical industry following the transformation of our petrochemical plants. In the performance chemicals business, we aimed to promote overseas business development and strengthen business models. Furthermore, we are promoting the plastic additive business in the Middle East and China in order to build a business model that builds on the company’s competitive advantages.

In the coating material business, we are also pursuing the development of commercial materials in the area of flame retardants.

In the Speciality Chemicals Department, we will continue to focus on customers’ solutions that are based on the Nagase Group’s wide-ranging expertise in chemical and natural materials.

In the Colors & Imaging Department, we are promoting market expansion and investigating our relationship with current partners.

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Fiscal 2009 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 while reorganizing the strategic alliance with the auto automotive industry. In the domestic market, we specified targets through closer contact with key engineering plastics makers.

In applying resources to critical fields, we made definitive efforts in strategic regions. In Nagase’s strategic region of South China, we established a representative office in Guangzhou for our joint venture, Nagase Polymer Plastics Corp. Together with this, we will collaborate with Nagase’s China (Hong Kong) Ltd. and Guangzhou Nagase Trading Ltd. for further growth.

In Vietnam, another strategic area, the plastics composite factory we completed through a joint venture, Danang Enter Vietnam Co., Ltd., is off to a steady start. In an effort to strengthen our business base, we upgraded the Hanoi office to a subsidiary and reorganized personnel there.

As a result, we accelerated the opening of new business from local Japanese companies, which are enjoying profitable operations.

With regard to improving our structure for high profitability, we pursued collaboration between our Group manufacturing company, Setsunan Kasei Co., Ltd., and Nagase Application Worldwide (NAW) to facilitate environment-friendly businesses, including recycling and plasticizer ones. Other departments commenced collaborative business operations with other foreign companies. Furthermore, we are proceeding with the transfer of Setsunan Kasei’s Kutsu- based factory, the aim of which is to establish a compressing plant that meets customer needs more accurately. The plant is scheduled to commence operations in August 2010.

We have transferred control of our domestic sales structure to Nagase Plastics Co., Ltd., in an effort to strengthen this structure. To that end, functions and divisions related to Nagase Plastics Co., Ltd.’s efforts to strengthen the domestic sales structure and the Advanced Polymers Department’s global sales support and expected alliance strengthening functions will be explicitly separated.

Strategic Initiatives in Fiscal 2010

We are committed to becoming a business entity that optimally integrates development, manufacturing and sales functions. To that end, we will take steps to reorganize our plastics sales structure in Japan while maintaining and building our consolidated business structure.

In terms of sales functions, we transferred our domestic sales functions to Nagase Plastics Co., Ltd., and are marketing and expanding markets for plastic sales capable of meeting customer needs. At the same time, specializing in product specification projects that focus on export functions and office automation uses, Nagase’s headquarters is augmenting alliances with its overseas subsidiaries that operate as protection bases.

Turning to manufacturing functions, we will strive to develop new businesses in the super-engineering plastics business through collaboration with Setsunan Kasei and NAW. To that end, we will implement a plan to transfer Nagase’s Kanazawa factory, and with this company we will work to aggressively develop products that have environmental and energy-related market potential. In addition to Group companies, we will cooperate with other departments with the aim of reorganizing businesses related to new strategic themes in general and actively expanding into new segments.

Fiscal 2009 Strategies and Results

In the Automotive Solutions Department, the development of materials for eco-friendly vehicles and the early launch of component businesses are goals outlined in "CHANGE". In 2009, we specialized in the development and sales of functional film sheets. As a result, we made progress in the use of SunMorfee V and SunMorfee T for products focusing on LCD TVs, power-supply devices and lighting equipment. In addition, Nagase’s new "Ultraflon" film sheet surface-defect inspection system is contributing to quality assurance for manufacturers who produce the film sheets used in LCDs and optics.

In fiscal 2010, the Automotive Solutions Department is striving to maintain and expand its core resin sales business guided by the keyword "weight reduction." Moreover, we are focusing on rapidly and boldly launching new projects involving batteries and other related products, which now set as as a strategic theme called "CHANGE.""2

TOPICS

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The sun Morfee™ series, an eco-friendly flame retardant polycarbonate insulating sheet, contains no brominated or phosphorus flame retardant agents. SunMorfee V will be promoted as an insulating material used in various electrical products, such as around power sources, inverters and under substrates.

SunMorfee V is an eco-friendly flame retardant polycarbonate insulating sheet...

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Fiscal 2009 Strategies and Results

The Electronic Chemicals Department set the goal of establishing a new business as a trading company that has maker’s capabilities, as outlined in the medium-term management plan “CHANGE” 11. The electronic chemicals plant, built under the previous Nagase Chemicals “Green Field Sales” has been expanding its production volume since commencing operations in October 2008. Ongoing negotiations are moving forward regarding the production of epoxy resins in Korea and the United States, which is a necessary step according to “CHANGE” 12. In addition, Nagase ChemteX Corporation, which administrates this department, is promoting the development of three-dimensional mounting for semiconductor under a theme of integrating Nagase Chemicals Corporation’s key elemental technologies, epoxy main photo-cureable materials and lamination technology.

Strategic Initiatives in Fiscal 2010

The Electronic Chemicals Department area sets to establish a new business model as a trading company that has maker’s capabilities, such as technology and manufacturing capabilities, and can offer a variety of products. In the epoxy material related business, which provides products used in various industries, we actively pursue development in areas with growth potential, including products produced by our resource conservation businesses, components used in LED and solar panels, and products for photovoltaics generation, wind power generation and more.

Having reached the limit to which the physical width of semiconductor pre-processing can be narrowed, we will offer to customers a packaged version of our three-dimensional mounting technology—a key elemental technology for our new business area—a business on which we conceived upon increasing system demands—which encompasses epoxy, photo-curable materials and lamination technology.

Electronic Materials Department

Yoshitaka Inoue
Executive Officer, GM, Electronic Materials Department

Ryoki Sato
GM, Electronic Materials Department

Fiscal 2009 Strategies and Results

Within the display industry, the Electronic Materials Department aimed to reinforce domestic and overseas sales of optical film, touch panel modules and LCD backlight modules while enhancing the production and processing business. In the semiconductor wafer and HDD-related fields, we focused on providing products and services demanded by customers in our core businesses while striving to develop new businesses. Moreover, under the keywords “the environment and energy”, we promoted the expansion of energy-related material sales and the recycling/businesses. At the same time, we focused on the sales of crystal type solar cell materials and the establishment of the processing business.

Strategic Initiatives in Fiscal 2010

(1) We trained 23 sales managers (distributors), a number that was 77% of our target.
(2) We added approximately 3,000 new sales personnel, up 60% year on year.
(3) We cooperated with other departments to achieve sales of the AUTOLIFTER-N, a new liquid cosmetic product developed jointly with Nagase Medica Co., Ltd. (hit rate 93.7% higher than those of previous liquid cosmetics). SARAN-FAVOL (SCLM2). In addition, the new cosme product (METHACTIV) developed in collaboration with the Specialty Chemicals Department, performed solidly, exceeding sales targets by 21%.
(4) In terms of overseas expansion, we opened our first Chinese cosmetic sales outlet in Shenyang City through our collaboration with Shanghai Nagase Trading Co., Ltd.

Fiscal 2009 Strategies and Results

During the fiscal year under review, we focused on the following four areas:
(1) We lowered CO2 emissions (total sales), a value that was 77% of our target.
(2) We added approximately 3,000 new sales personnel, up 60% year on year.
(3) We cooperated with other departments to achieve sales of the AUTOLIFTER-N, a new liquid cosmetic product developed jointly with Nagase Medica Co., Ltd. (hit rate 93.7% higher than those of previous liquid cosmetics). SARAN-FAVOL (SCLM2). In addition, the new cosmetic product (METHACTIV) developed in collaboration with the Specialty Chemicals Department, performed solidly, exceeding sales targets by 21%.
(4) In terms of overseas expansion, we opened our first Chinese cosmetic sales outlet in Shenyang City through our collaboration with Shanghai Nagase Trading Co., Ltd.

Strategic Initiatives in Fiscal 2010

In fiscal 2010, we aimed to increase sales by focusing on the training of managers and increasing sales personnel. Each division leader promotes the following three policies. Creation of a continuous example, nurturing the next-generational staff, and building a network of customers. We will also promote the development of a new sales system that uses the Internet and other means to facilitate business development in China. Leveraging Nagase’s proprietary materials, such as novolac, we will promote product development based on the highest levels of sales and the highest levels of the business environment to achieve the sales targets.
Greater China (GC) Business

Nagase’s Greater China Business consists of 10 sales companies, 10 branch offices, 14 manufacturing companies and 4 service companies located in China, Taiwan and Hong Kong. With approximately 2,100 employees, the Greater China Business operates in marketing businesses, manufacturing businesses and service businesses. Under the theme of building its financial strength to support its business development, we are undertaking corporate development initiatives that emphasize the provision of quality information, service and distribution networks from coastal China to the country’s southwestern and northeastern regions.

Fiscal 2009 Strategies and Results

In fiscal 2009, net sales dropped 23.0% year on year to ¥1,448.86 billion due to the impact of the global recession and high yen rates. However, overall mar- ket recovery in China, regional growth and business outcomes were achieved by local manufacturing subsidiaries as well as by each type of service business.

Starting from Taiwan and Hong Kong, Nagase’s Greater China Business has been gradually expanded northwards to inland China. On the back of several economic development in China, we have focused on the establishment and expansion of business bases inland. As a result, our sales in China, Taiwan and Hong Kong rose 40.7% in fiscal 2009. Sales in the southern China area grew further owing to collaboration between the sales and manufacturing subsidiaries. Beyond the business activities that have already been established in eastern China area to date, we are concentrating on developing business activities in other middle China areas.

In 2002, Nagase Colors & Chemicals Co., Ltd established Shanghai Techno Center as a local support base for textile dyeing. Now STC offers not only a variety of textile chemicals but also various textile finishing services. In 2008, we launched Nagase Vietnam, a local support base for textile finishing. Having developed a number of synthetic processes and analysis methods, Nagase ChemteX undertook capital investment in ZCL Chemicals Limited, a local polymer supplier in Vietnam. We are endeavoring to develop such themes as “rather business relationships” with local companies, which will result in reinforced cost-competitiveness to meet increasingly diversifying needs in the pharmaceutical industry.

ASEAN & the Middle East Business

Building upon the ASEAN business’ existing framework, we are carrying out regional business strategies through eight sales companies, eight branch offices and seven manufacturing companies covering eight countries, which encompass India and the Middle East. Specifically, we are implementing augmented business operations in the Middle East by upgrading the Dubai base— which previously was a part of the Singapore Representative Office—into the Dubai Branch Office.

Fiscal 2009 Strategies and Results

Under the medium-term management plan “CHANGE” 11, which began in fiscal 2009, fiscal 2010 has been identified as a year for building a foun-dation for our core business. Of these, we focused particularly on (1) “integrate and concentrate businesses,” (2) “build businesses around environment- and energy-related technologies” and (3) “strengthen R&D and manufacturing functions.” Beginning with “integrate and concentrate businesses,” we identified and withdrew from single-species and small-scale businesses. We also strengthened profitability management functions and strengthened and reorganizing from prescriptive operation management functions of group businesses. In particular, we created the Dubai Representative Office to operate a new base in the Gulf region in order to pursue businesses with broader potential in the Middle East. Furthermore, we created in a local manufacturing intermediary with the aim of expanding pharmaceutical- and agricultural chemical-related businesses.

As regards “build businesses around environment- and energy-related technologies,” we strive to develop themes for solar battery-, water processing- and palm oil-related businesses, all of which focus on recycling. We will implement further measures in fiscal 2010 in order to realize these themes.

In the case of the overseas transfer of business on the back of Japanese companies’ production activities overseas, we focused on China, Taiwan and other areas. Focusing on the Chinese market, with its high growth potential, we will promote business development by making establishment of the environment and production-relevant technologies in Japan, the business development capabilities of Taiwan and the financing functions of Hong Kong. In addition to the core automotives, electronics and life businesses, we will set up an 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 proceed with possible new initiatives for regional manufacturing businesses to strengthen Group manufacturing companies. Simultaneously, we will promote industrial-academic themes in cooperation with Tongji University and Fudan University.

Strategies for Fiscal 2010

In fiscal 2009, we were able to see the effects of the structural reforms that were previously carried out. In fiscal 2010, we will focus on the pharmaceutical-related businesses, as we promote the expansion of our operations and marketing activities.

In the course of business expansion, we will place utmost importance on risk management, including internal control, and take steps to strengthen man-agement functions and avoid risk through the Regional Business Center (RBC).

Strategies in Fiscal 2010

We will strive to expand our core businesses by accelerating the themes developed in fiscal 2009 for environment- and energy-related businesses, which include solar battery, water processing and palm oil-related businesses. Such activities will be undertaken based on the Plastic Business—which focuses on existing automotive, consumer electronics and office automation—this Chemicals Business—which covers textiles and pastes sold in the Middle East along with syntheses and dyes used by the dye industry—and the Electronics Business—which sells products to the semiconductor and liquid crystal industries.

Our regional strategies involve taking advantage of new business opportuni-ties by entering businesses in Beira and the Middle East, and by perma-nently studying the markets of Asia and New Zealand. In terms of execution, we will focus on the pharmaceutical-related businesses, as we promote the expansion of our operations and marketing activities.

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According to the stated initiative of “CHANGE” 11, “promote employees diversity and work-life balance,” we will continue with the policy begun in fiscal 2009 of dispatching local staff to headquarters for training. In addition, we will undertake a variety of educational programs in cooperation with headquarters.

In fiscal 2010, we will continue to pursue China’s “energy-saving” themes. We will focus on the pharmaceutical-related businesses, as we promote the expansion of our operations and marketing activities.

In the course of business expansion, we will place utmost importance on risk management, including internal control, and take steps to strengthen man-agement functions and avoid risk through the Regional Business Center (RBC).
Major Production/R&D Functions

Nagase ChemteX

As a Nagase & Co., Ltd., company that formulates our core competencies in production and R&D in a range of industries, we have been active in various fields including electronics, life sciences, and environment-related fields, in addition to the company’s proprietary technologies of synthesis, compounding, culture and evaluation. We have developed a variety of products and have become a unique chemical marketer with a high market share of a number of items. Developing 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-and-quantity production of diversified products. By reviewing 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 the environmental field in particular, we are making progress in the commercialization of, for example, chemical recycling and formulated epoxy resins. In addition, we are playing a leading role in the Group’s manufacturing and processing company in terms of safety and hygiene, environment-oriented responses and legal administration.

Fiscal 2009 Performance

In fiscal 2009, net sales rose 12% year on year to ¥26.1 billion, while operating income increased 244% to ¥3.2 billion. Sales in the life sciences business remained on par with the previous fiscal year, but growth in sales of products for the electronics industry, such as those for flat-panel displays (FPDs) and semiconductors for mobile phones, resulted in substantially increased revenue. There were significant gains on the earnings front, due to the particularly favorable sales of high-value-added products, chiefly for large-screen LCD TV applications.

Production Structure

In Japan, we completed the construction of an extra high-voltage power receiving facility at our Harima Plant, where we produce a variety of electronics-related products and performance materials. The new facility has worked to stabilize power supplies and to reinforce the company’s infrastructure. In addition, we expanded our compounding facility for organic conductor materials and made provisions for market expansion in the display field. At our Fukuchiyama Factory, which produces items related to the sciences, we reinforced facilities for pharmaceutical materials. Against the backdrop of the Global Warming Pact, which is located on the premises of Shiga’s “Green Front Site,” Osaka, acquiring certification for its “resource productivity reform plan,” we launched the full-scale production of such chemicals as dining agents. In addition, activities designed to encourage energy reduction at all our offices produced results.

Overseas, we augmented our formulated epoxy resin manufacturing facilities at Nagase ChemteX (Wuxi) Corporation and steadily increased the production and sale of small-grid heavy electric machinery, contributing to performance.

R&D Structure

Nagase ChemteX’s R&D structure, which employs a total of 140 staff members, comprises product development teams within divisions as well as an R&D Division working company-wide.

In the electronics field, we proactively engaged in such areas as opto-electronic materials, organic/inorganic hybrid materials, and bio-chemical materials. In the electronics field, the company has been particularly successful in the development of optical lenses and transparent materials for organic LED lighting. When selecting a development theme, we build up a picture of market needs through Nagase’s sales departments and take advantage of the synergies in cooperating with R&D and trading company functions.

Business Overview of Fiscal 2009

Electronics & Structural Materials

The Electronics & Structural Materials business carries out product development and production based on its advanced epoxy formulation technology. In the electronics business, demand for epoxy sheets for mobile phones is growing, and we are making progress in commercializing new packages for our liquid crystal display component. In this segment, the overall energy field, we have acquired new business by promoting the reduced weight, durability and recyclability of our products for all applications—such as solar batteries, wind power generation, smart-grid heavy electric machinery, automotive fiber reinforced plastics (FRPs) parts, and hybrid cars. For lithium-ion batteries, we have enhanced full-scale production and have begun delivery of resin for use in the motor of wind power generation. Furthermore, having received recognition from a major European customer in the smart grid field, we have commenced the global deployment of our heavy electric machinery materials.

Bio/Fine Chemicals

Our efforts to generate new applications for active pharmaceutical ingredients and intermediates enabled us to increase the number of contract production items. In addition to developing unusual arctic melts, we acquired or in- corporated the manufacture of pharmaceutical intermediates by means of an environment-oriented expansion-type process that utilizes our proprietary biotechnological catalyst. In the engine business, we commenced sales and expanded our business in new areas to meet customer needs, thanks to our advanced high-performance technology. We also expanded our lineup of pharmaceutical products, which utilizes our proprietary biotechnological converting enzymes, and made progress in the market development of applications for our health foods and cosmetics.

Strategic Initiatives in Fiscal 2010

Under “CHARGE” II, the medium-term management plan that started in fiscal 2010, we will further reinforce our R&D and manufacturing activities in keeping with each group’s basic policies.

Focus on the Electronics, Life Sciences, Automotive and Environment-related fields, we will strengthen our capability to develop unique technologies 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—enviro- pasing solar batteries, hybrid vehicles, wind power generation and recycling— as well as on strategies designed to reduce product weight. Our efforts will be geared to increase the most product commercialization roads as well as the eco-friendly products in all production phases.

Furthermore, employing capital investment in an environmentally friendly way, we will make every effort to consolidate our production infrastructure as a company that focuses on both business operations, production technology and quality assurance—a company that plays a central role in the Nagase Group’s R&D and manufacturing functions.

Net Sales / Operating Income

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<th>Fiscal Year</th>
<th>Net Sales (¥ million)</th>
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Automobile Newly Developed Products

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<th>Fiscal Year</th>
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<th>Electric</th>
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<th>Batteries</th>
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<td>3.0</td>
<td>3.2</td>
<td>3.0</td>
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Environmental Energy Field in Formulated Epoxy Resins

The Electronics Chemicals business handles a broad array of photolithography chemicals for the semiconductor and LCD industries. It recorded a significant increase in revenue during fiscal 2009, due to rapid economic recovery in the FPD industry, including demand for LCD TVs and market expansion, as well as the full-scale launch of a plant in Sharp’s “Green Front Site.” Furthermore, in accordance with the trend toward using copper wiring in LCD panels for large-screen TVs, we developed a unique stripping solution for copper wire, which has enabled us to take the lead in this core market.

Functional Chemicals

In fiscal 2009, we realized the global sales expansion of electrophotographic dielectric for fuses for fax machines, as customers in such countries as South Korea, China, Vietnam, Turkey and Thailand increased adoption of it. In addition, we advanced the development of these dielectric, high purity epoxy products to meet needs in the electronic material field. Leveraging its advanced characteristics, sales of special acryl ester copolymers as sentinel adhesive grew both in Japan and overseas, including for new applications. High-functional thermosetting for FRGs, solder electroconductive pastes and new materials for LCDs, recorded significant increase in sales and profits, due to the rapid recovery of the global economy and market expansion.

Bio/Fine Chemicals

Our efforts to generate new applications for active pharmaceutical ingredients and intermediates enabled us to increase the number of contract production items. In addition to developing unusual arctic melts, we succeeded in incorporating the manufacture of pharmaceutical intermediates by means of an environment-oriented expansion-type process that utilizes our proprietary biotechnological catalyst. In the engine business, we commenced sales and expanded our business in new areas to meet customer needs, thanks to our advanced high-performance technology. We also expanded our lineup of pharmaceutical products, which utilizes our proprietary biotechnological converting enzymes, and made progress in the market development of applications for our health foods and cosmetics.
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 maximizing business performance related to the life sciences. The Center will continue to energetically offer and provide the market with technological solutions.

Achievements in Fiscal 2009

Product Development

1. Expansion of the pharmaceutical intermediate contract production business based on unnatural amino acid technology
2. Launch of actinomycete-derived new enzyme (chitinase)
3. Launch of Auto Lifter N serum

Technological Results

1. Cultivation of actinomycete high-expression technology using a newly discovered streptomycin promoter
2. Development of an enzyme reaction inhibitor from seaweed polysaccharides

Intellectual Property Administration and Usage

To administer and use intellectual property from R&D through activities, the Nagase R&D Center strategically engages in the acquisition of intellectual property rights for research results jointed with the Intellectual Property Office as well as the establishment of new companies based on projects undertaken by business departments and affiliated companies.

Strategic Initiatives in Fiscal 2010

On the product development front, the Nagase R&D Center is making a significant contribution to related departments (Fine Chemical Department and Beauty Care Department) as well as model-maker Nagase Chemical, helping to realize the goals of the “Green-22” medium-term management plan.

In Fiscal 2010, we will place the top priority on the launch of several new enzyme products as well as building connections for the related sales and contract production business. In technological development, we will leverage microorganism and bio-technology-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 base the initiative in creating new businesses with our proprietary actinomycetes technology. Furthermore, with the aim of accumulating R&D activities, we are creating a strong link-up with Tokyo University in cooperation to develop bio-technological bases for a new generation agricultural crop systems based on the Ministry of Education, Culture, Sports, Science and Technology in order to bring about open innovation.

Future Priority Areas and Project Themes

1. Development of bio-natural materials
2. Development of next generation agricultural crop systems
3. Digital printing
4. Recycling, biomaterials

The Nagase Application Workshop (NAM) facility is where, jointly with customers, we integrate departments encompassing function and efficacy evaluation with the study of materials and additives related to plastics, coating materials, and fiber processing as well as data analysis and application development. NAM was born of necessity in the course of rading R&D, manufacturing and processing functions to our conventional base as a trading company, establishing a niche from our previous sales model focused on materials exploration in view that is driven by application proposals and joint development. In offering such technological support, NAM is not only providing unparalleled functions that only Nagase is capable of providing. It is helping to move the Company beyond status as a trading company.
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 by the areas of environmental preservation, responsibilities as a good corporate citizen and development of scientific technology.

In the “CHANGE” medium-term management plan launched in fiscal 2009 (ended March 31, 2010), Nagase laid out its vision of the future for each stakeholder.

CSR Management

Basic Concept of CSR

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.

In the “CHANGE” medium-term management plan launched in fiscal 2009 (ended March 31, 2010), Nagase laid out its vision of the future for each stakeholder.

Management Philosophy

“Maintain Good and Fair Business Practices”

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

“The Nagase Way” Action Principles

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

Organization (as of August 1, 2010)

1. Risk Management & Development Committee
2. Internal Control Committee
3. Security & Business Control Committee
4. New Compliance Committee
5. Environmental Protection Committee
6. Corporate Planning Office
7. Intellectual Property Office
8. Corporate Strategy Office
9. Corporate Planning Office
10. Intellectual Property Office
11. Corporate Strategy Office
15. Accounting Div.
16. Legal & Credit Div.
17. Sales Administration Div.
18. Audit Office
19. Nagase R&D Center
20. Nagase Application Workshop
22. Color & Imaging Dept.
25. Fine Chemicals Dept.
26. Beauty Care Products Dept.
27. Advanced Polymers Dept.
28. Polymer Products Dept.
29. Automotive Solutions Dept.
30. Electronic Chemicals Dept.
32. Osaka Administrative Div.
33. Nagoya Branch Office
34. Environment & Energy Office
35. Energy Device Office
36. Nagase ChemteX Corp.
### Directors, Corporate Auditors and Executive Officers (as of July 1, 2010)

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2. **Outside Directors**

3. **Corporate Auditors**

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In order to ensure corporate auditors’ auditing effectiveness, the Company establishes the Advisory Board, supplying an expert staff to support the corporate auditors work. The Audit Office and the Board of Auditors regularly exchange information regarding internal audits and audits of elements and overseas subsidiaries, while holding meetings twice a year with outside corporate auditors. In addition, they perform liaison activities, including receiving regular reports from NAGASE & CO., LTD. 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.

In addition to discussing matters related to corporate auditors on a regular basis, independent auditors also hold meetings twice a year with the Board of Auditors.

Nagase’s Corporate Governance System

Auditing Framework

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Nagase established the Internal Control Committee and the Compliance Committee Baranoe in its internal control sector, and the Audit Office serves as the Company’s independent internal audit. Evaluation results of internal control operations are reported appropriately to the Internal Control Committee by the Audit Office, and the Internal Control Committee reports on the internal control status to the Board of Auditors.

Under the executive officer system, Nagase’s corporate governance system collaborates with the above mentioned committees to appoint outside directors and members to the Board of Auditors as well as to reinforce its corporate governance system. Having secured supervision and auditing functions that operate from diversified perspectives, including those outside the Company, Nagase believes it is currently in a position to improve its corporate governance system in terms of both effectiveness and efficacy.

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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 Pro-Product Quality and Risk of Handling Nuclear Chemicals, against the backdrop of known risks across the Group conducts global business activities.

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 entrusts the committee’s functions and authority, and clarifies the 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 company and departmental responsibilities for the role that risks could impact the Company’s business.

In addition, the Management & Compliance Committee formulates the basic compliance policy to clarify and recenter the Company’s compliance system and seeks regular workshops and other initiatives to ensure that company activities are strictly in line with the Nagase Group Code of Conduct. Standing employees of the Nagase Group companies become aware of legal or other compliance issues, report to the Risk Management & Compliance Committee, which immediately reports to the Board of Auditors. In addition, the Company transmits internal information to employees and others and 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 continuous growth and development, provide society with the goods and services that are needed for healthy and comfortable lives. The Company’s compliance system is designed to ensure the continuous growth and development of Nagase as a global enterprise.

The Nagase Group has established the Compliance Committee, a representative body for the Group’s executives and management, to serve as a consultative body to the Board of Directors and to address compliance issues. This body formulates the basic guidelines that Nagase officers and employees will observe as they conduct business activities. Officers and employees of the Nagase Group must honor their duties and conduct themselves in accordance with these basic guidelines, and each business will ensure that the standards established are strictly observed.

Specific Measures Taken for Individual Risks: Security Trade Control

As a trading company specialized in chemicals and also carries out export business activities, quality of chemical products and plastics, Nagase has set up an internal Security Trade Control and a dedicated team to coordinate across the entire Group while formulating related Group policies. The Security Trade Control Committee coordinates related committees through the Security Trade Control Committee. Through these efforts, real-time action of laws associated with report control is promoted.

Specific Measures Taken for Individual Risks: Security Trade Control

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Environmental and Social Contribution Activities

Nagase Group Environmental Management Structure

Nagase began building an environmental management structure in May 1998 by establishing an Environmental Protection Committee. Today, it is made up of seven other groups, which have obtained ISO 14001 certification for their environmental management systems. Since then, the Environmental Protection Committee has offered affiliated companies advice and support for obtaining ISO certifications and has encouraged the establishment of a company's environmental policy. Currently, the sales company—Nagase Color & Chemicals Ltd., Nagase Chemicals Inc., Nagase Plastics Ltd., Nagase Resource Management Co., Ltd., and Nishinetsu-Nagase Co., Ltd.—conduct activities together with Nagase at its certified business activities. Also, during Fiscal 2010, Nagase commenced procedures to include Nagase General Service Co., Ltd. in the scope of the certification.

In addition, many Nagase Group companies, having acquired certification independently, are conducting their own environmental activities. Looking at this issue from a Group-wide management perspective, Nagase has established an environmental policy that will be common to the entire Group in the first half of Fiscal 2010. In Fiscal 2010, we plan to introduce such a Group-wide philosophy to further promote our environmental initiatives. The Nagase Group will also have clear environmental goals and action plans to achieve these goals and policies. Nagase and its Group companies appoint environmental protection officers, who coordinate department-specific environmental activities, and co-ordinators, who promote the implementation of these activities.

Nagase’s Electronic Chemicals Business

Nagase’s Electronic Chemicals Business is a key component of harmonizing environmental and economic goals. Its electronic chemicals business aims to contribute to the development of a sustainable society by developing raw materials and technologies that contribute to the realization of a recycling-oriented society. The company has developed a chemical recycling plant within Sharp’s “Green Front Sakai” facility. The plant is designed to optimize the recycling of waste solvents that individual companies have difficulty reducing, and reuse them as raw materials for different industries.

Nagase’s Wind Power Generation Business

Nagase’s Wind Power Generation Business is an area of focus within its Medium-Term Management Plan “CHANGE 11.” The Plan aims to reduce the environmental impact of its business operations. As part of 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.

Environmental Management Activities

Nagase’s environmental management activities are ongoing and integrated. Specific activities include the creation and expansion of eco-businesses and the enhancement of operational efficiency. Under “CHANGE 11,” the Nagase Group’s medium-term management plan that was launched in April 2010, the company is strengthening 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 increasing information sharing and complementing functions among its companies and business groups, the company will further enhance 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.

In addition, Nagase is promoting activities aimed at reducing the environmental impact of its business operations. We are a trading company, and thus, do not operate such energy-intensive facilities as plants. We believe that we can reduce the environmental impact of our business activities by, for example, improving the efficiency of our logistics operations. Acting on this belief, we developed the Nagase Energy Calculation Online (NECO) System, which enables the automatic calculation of domestic cargo transport volume using distribution receipt data managed by our sales control systems. Since it was first introduced in August 2008, this system makes it possible not only to calculate our annual cargo transport volume and CO₂ emissions, but also to analyze transport routes for optimization, which also helps reduce our CO₂ emissions. In such ways, the Nagase Group is striving to reduce energy consumption in its logistics operations, thereby contributing to the prevention of global warming.

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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. Under “CHANGE 11,” the Nagase Group’s medium-term management plan that was launched in April 2010—Nagase is strengthening 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 increasing information sharing and complementing functions among its companies and business groups, the company will further enhance 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.

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Nagase Enjoys Organic Fertilizer Business

The Nagase Group launched its medium-term management plan, “CHANGE” 11, in April 2009, setting six core initiatives in line with ten of those initiatives—mainly strengthening R&D and manufacturing businesses and building businesses around environment and energy-related technologies—the Group is aiming at realizing the “Nagase Eco-Farm Concept” for a regenerative agricultural, forest, and fishery business that cares about the environment and utilizes natural resources. As the first step in this endeavor, Nagase has acquired all shares in Kawai Hiryo Corporation, a new enzyme preparation, etc.

Kawai Hiryo manufactures organic fertilizers, including biodegradable fertilizers, and agricultural chemicals and materials such as pesticides and other agricultural products using various biotechnologies. Based on these food additives and other materials, Kawai Hiryo manufactures organic fertilizers by fermentation using microorganisms. This type of fertilizer is highly mobile and easily absorbed into the soil and remains intact, which are efficiently absorbed by plants. Looking ahead, Nagase aims to develop new fertilizers and feedstock through the integration of Kawai Hiryo’s technologies with its biotechnologies.

Environmental R&D Activities

Applying and further developing technologies that the Nagase Group has, in the last few years, the Nagase Round Robin Award and to support the development of renewable and sustainable economics. The Nagase Round Robin Award, which is an annual award established to support the Nagase Group’s research projects and that the Nagase Group has been incorporated in the Nagase R&D Center, has continued. The Group is now working on new research projects and that the Nagase Group has been incorporated in the Nagase R&D Center, has continued. The Group is now working on new research projects.

Innovative Bioproduction Kobe Project Structure

The Innovative Bioproduction Kobe project aims to produce new materials for chemical products and fuel resources, which currently depend on petroleum resources, from biomass. The project is now working on new research projects and that the Nagase Group has been incorporated in the Nagase R&D Center, has continued. The Group is now working on new research projects.

Research Grants Provided in Fiscal 2010

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<th>Lead Researcher</th>
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Report on Research Projects

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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 90 related companies, consisting of 90 subsidiaries and 24 affiliates. The scope of consolidation includes 49 subsidiaries as well as 10 affiliates, which are accounted for by the equity method.

During fiscal 2008, ended March 31, 2009, Nagase formed NWF (B.V.), incorporated in consolidated subsidiary due to the increased significance of the business conducted by this company. Moreover, on April 1, 2008, the Company merged Nagase DSM Technology Co., Ltd. and Nagase Electronic Equipment Service Co., Ltd., both of which were consolidated subsidiaries in fiscal 2008, into Nagase Technical Engineering Co., Ltd. Also during the period, Nagase sold a portion of the Canadian Metal Technologies Inc. shares that it held. Following this share transfer, Nagase's equity ownership in Canadian Metal Technologies decreased, consequently removing Canada Metal Technologies from the scope of consolidation. In addition, the Company consolidated the formation of Nagase Ebutt Co. Ltd., during the period under review.

During fiscal 2010, the Nagase Group continued to remodel companies, including Nagase Filter, Co., Ltd., in its scope of consolidation. The total assets, net sales and income and retained earnings of these companies had no material effect on consolidated financial statements.

Overview of Results

During the fiscal year under review, the Japanese economy showed gradual recovery due to such factors as progress made in inventory adjustments, the launch of a series of economic stimulus measures, the strengthening of corporate profits and the yen's appreciation against the dollar. In particular, however, the global recession caused a fall in the amount of demand for steel in China and other Asian countries as well as in other regions around the world. Nevertheless, overall economic conditions remained severe. In such an environment, the Nagase Group worked diligently to improve overall performance. However, the Group's revenue declined year on year as its overseas sales, net income and retained earnings of these companies had no material effect on consolidated financial statements.

Net Sales

During the fiscal year under review, the Nagase Group's net sales increased 11.6% year on year to ¥603.949 billion. This growth was driven by an increase in both domestic and overseas sales. Domestic sales increased 27.8% year on year, mainly due to increased sales of paper products and office equipment in China and the ASEAN region, which caused overseas sales to fall ¥76.79 billion, or 24.0 percent, year on year to ¥243.56 billion.

Gross Profit and Selling, General and Administrative Expenses

Cost of sales declined ¥105.17 billion, or 16.3 percent, year on year to ¥538.53 billion. In line with the decrease in cost of sales, selling, general and administrative expenses dropped ¥105.17 billion, or 16.3 percent, year on year to ¥538.53 billion. The ratio of SG&A expenses to net sales increased 0.5 of a percentage point year on year to 8.7%.

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 streamlining technological information, based on the market activities, in order to create new businesses. The Nagase R&D Center conducts research work on an emphasis on applying some of its technologies to new technologies and their applications. The R&D Center also conducts development work on new technologies and products. The R&D Center also develops new technologies and products through the application of new technologies and new materials.

Net Income

The Nagase Group's net income increased ¥28.56 billion, or 58.6% year on year to ¥58.64 billion. The increase in income was due to increases in operating income and net sales.

Shareholders' Equity

The Nagase Group's shareholders' equity increased ¥12.56 billion, or 16.3% year on year to ¥202,753 million. The increase in shareholders' equity was due to the increase in net income and as a result of decreased dividends.

Ratios

The Group's operating margin, ratio of income before income taxes and minority interests to net sales, return on sales (ROS), total assets turnover and return on assets (ROA) decreased year on year. In contrast, the Group's return on equity (ROE), shareholders' equity ratio and debt to equity ratio increased year on year. The Group's interest coverage ratio decreased year on year.

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.$1.00, the approximate rate of exchange prevailing on March 31, 2010.
years. NAGASE 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 research and development expenses if need be.

For the fiscal year under review, research and development expenses totaled ¥3.24 billion.

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

### Operating Income, Net Other Income

As a result of the above, operating income rose ¥0.60 billion, or 4.8 percent, year on year to ¥13.12 billion, for an operating margin of 2.2 percent, an improvement of 0.4 of a percentage point. Nagase...

### Results by Business Segment

#### Chemicals

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<tr>
<th>Fiscal years ended March 31 (¥ Billion)</th>
<th>2008</th>
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<th>2010</th>
</tr>
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<tr>
<td>Net Sales</td>
<td>267.83</td>
<td>263.11</td>
<td>237.12</td>
</tr>
<tr>
<td>Operating Income</td>
<td>7.93</td>
<td>5.61</td>
<td>6.78</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1.26</td>
<td>1.24</td>
<td>1.63</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>2.29</td>
<td>1.95</td>
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Overall sales in the Chemical segment declined year on year. Despite a recovery trend in the chemical industry in general and an increase in sales of Nagase ChemteX products, sales for the full fiscal year did not return to the level recorded in the previous fiscal year. Accordingly, net sales in the Chemicals segment dropped ¥25.88 billion, or 9.3 percent, year on year to ¥270.25 billion. On the other hand, segment operating income increased ¥1.71 billion, or 28.5 percent, to ¥27.66 billion.

In the sales and imaging business, which handles pigment, specialty and other products related to color, sales of display-related products in the LCD processing industry declined. However, increases in sales of ink materials for printers and functional color pigments for plastic display and electrophotographic products pulled overall sales in this business.

In the performance chemicals business, which basis an extensive portfolio ranging from rubb...
Net assets as of March 31, 2010 stood at ¥370.75 billion, up ¥70.82 billion, or 20.5 percent, from March 31, 2009. This increase was primarily due to an increase in retained earnings resulting from earnings per share in the fiscal year under review, and net income in the second half of the year.

Cash Flows from Financing Activities
Net cash used in financing activities totaled ¥11.75 billion. This reflected payments of cash dividends totaling ¥10.73 billion, and the payment of cash dividends totaling ¥10.73 billion, as well as the repayment of notes and accounts payable totaling ¥7 billion. The cash used in financing activities also included the receipt of short-term loans totaling ¥10.73 billion, primarily due to the receipt of cash dividends paid to shareholders.

Stock Option System
The Group’s key employees receive shares and cash dividends as part of their compensation package. The Group has implemented a stock option system to provide incentives to its key employees. The Group will issue stock options to key employees under the stock option system. The key employees will be able to purchase Group shares at a price that is lower than the market price at the time the stock option is exercised. However, the key employees will be required to purchase a certain number of shares at the time the stock option is exercised.

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 consideration earnings performance, cash flows, and capital expenditures. The Board of Directors determines the amount and timing of dividend payments. The Company has paid cash dividends of ¥18.00 per share, consisting of an interim dividend of ¥9.00 per share and a fiscal year-end dividend of ¥9.00 per share.

Total assets as of March 31, 2010 stood at ¥370.75 billion, an increase of ¥118.33 billion, or 50.0 percent, from March 31, 2009. Current assets increased ¥18.62 billion, or 7.5 percent, to ¥267.77 billion. This increase was primarily due to an increase in property, plant and equipment through purchases and a rise in the market value of investments in securities.

Liquidity and Financial Condition
Cash and cash equivalents as of March 31, 2010 increased ¥4.07 billion, or 10.4 percent, from March 31, 2009 to ¥40.8 billion. For the fiscal year under review, net cash generated from operating activities totaled ¥27.87 billion, mainly due to the increase in working capital and the increase in the net income of the Group’s consolidated subsidiaries.

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The Group’s net cash from operating activities totaled ¥27.87 billion, an increase of ¥10.34 billion, or 59.1 percent, from March 31, 2009. This increase was primarily due to the increase in the net income of the Group’s consolidated subsidiaries.

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Investment in Plant and Equipment

Investment in plant and equipment for the fiscal year ended March 31, 2010 centered on manufacturing facilities for manufacturing subsidiaries and totaled ¥6.62 billion. By segment, in the Plastics segment, investment in plant and equipment totaled ¥3.07 billion and includes manufacturing and other facilities of Nagase and manufacturing subsidiaries. In the Electronics segment, investment in plant and equipment totaled ¥3.11 billion and includes buildings and manufacturing and other facilities of Nagase and manufacturing subsidiaries. In the Life Science segment, investment in plant and equipment totaled ¥1.37 billion. The Nagase Group used both internal and external capital resources to fund these activities.

Outlook for the Year Ending March 31, 2011

The global economy is expected to remain on a mild recovery course in the fiscal year ending March 31, 2011, driven by growth in China and other Asian countries. In Japan, however, the positive effects of the government’s economic stimulus policies, which have supported the country’s economic recovery, may be eroded by weaknesses, accompanied by balance-sheet concerns about a slowdown in the pace of recovery due to persistent deflation and stagnant consumer spending. Accordingly, it is still not easy to take an optimistic view of future operating conditions.

Based on the above, the outlook for the Nagase Group’s fiscal 2010 performance differs. These performance projections are based on an exchange rate of ¥90=U.S.$1.00.

(1) Overall Operating Risk

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

(2) Product Market Conditions

The Nagase Group is extensively involved in the chemicals, plastics and other businesses that deal in petrochemicals. Fluctuations in foreign currency exchange rates, changes in these conditions could impact the Group’s revenue and earnings.

(3) Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group’s consolidated net sales from foreign sales are ¥4.03 trillion. Fluctuations in foreign currency exchange rates impact the value of transactions denominated in foreign currencies when translated into yen. The Nagase Group faces currency risk from fluctuations in foreign exchange rates when translating foreign currency transactions arising from foreign operations into yen. Many businesses have currency exchange risk when they report earnings in foreign currencies. Fluctuations in foreign currency exchange rates could impact the overall performance, and financial positions of the Nagase Group. Fluctuations in foreign currency exchange rates could impact the overall performance, and financial positions of the Nagase Group. Fluctuations in foreign currency exchange rates could impact the overall performance, and financial positions of the Nagase Group. Fluctuations in foreign currency exchange rates could impact the overall performance, and financial positions of the Nagase Group.

(4) Impact of Fluctuations in Interest Rates

The Nagase Group also has foreign borrowings. Fluctuations in interest rates impact the Group’s performance and financial positions. Fluctuations in interest rates could impact the Group’s performance and financial positions. Fluctuations in interest rates could impact the Group’s performance and financial positions. Fluctuations in interest rates could impact the Group’s performance and financial positions.

(5) Risks Involved in Operating Overseas

A significant percentage of the Nagase Group’s activities involve selling and manufacturing overseas, particularly 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 to understand the Group’s position on the overseas market and 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.

(6) 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 price 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 could reduce the value of pension plan assets which could impact the Group’s profitability by increasing retirement benefit costs.

(7) 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 monitors its exposure to counterparty credit risk with the following hedging strategies:

(a) Generally, the Group seeks to manage the credit risk associated with transactions on a net basis.

(b) The Group monitors the credit risk associated with transactions on a net basis.

(c) The Group monitors the credit risk associated with transactions on a net basis.

(d) The Group monitors the credit risk associated with transactions on a net basis.

(e) The Group monitors the credit risk associated with transactions on a net basis.

(f) The Group monitors the credit risk associated with transactions on a net basis.

(g) The Group monitors the credit risk associated with transactions on a net basis.

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(i) The Group monitors the credit risk associated with transactions on a net basis.

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(l) The Group monitors the credit risk associated with transactions on a net basis.

(m) The Group monitors the credit risk associated with transactions on a net basis.

(n) The Group monitors the credit risk associated with transactions on a net basis.

(o) The Group monitors the credit risk associated with transactions on a net basis.

(p) The Group monitors the credit risk associated with transactions on a net basis.

(q) The Group monitors the credit risk associated with transactions on a net basis.

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(s) The Group monitors the credit risk associated with transactions on a net basis.

(t) The Group monitors the credit risk associated with transactions on a net basis.

(u) The Group monitors the credit risk associated with transactions on a net basis.

(v) The Group monitors the credit risk associated with transactions on a net basis.

(w) The Group monitors the credit risk associated with transactions on a net basis.

(x) The Group monitors the credit risk associated with transactions on a net basis.

(y) The Group monitors the credit risk associated with transactions on a net basis.

(z) The Group monitors the credit risk associated with transactions on a net basis.

(A) The Group monitors the credit risk associated with transactions on a net basis.

(B) The Group monitors the credit risk associated with transactions on a net basis.

(C) The Group monitors the credit risk associated with transactions on a net basis.

(D) The Group monitors the credit risk associated with transactions on a net basis.

(E) The Group monitors the credit risk associated with transactions on a net basis.

(F) The Group monitors the credit risk associated with transactions on a net basis.

(G) The Group monitors the credit risk associated with transactions on a net basis.

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(N) The Group monitors the credit risk associated with transactions on a net basis.

(O) The Group monitors the credit risk associated with transactions on a net basis.

(P) The Group monitors the credit risk associated with transactions on a net basis.

(Q) The Group monitors the credit risk associated with transactions on a net basis.

(R) The Group monitors the credit risk associated with transactions on a net basis.

(S) The Group monitors the credit risk associated with transactions on a net basis.

(T) The Group monitors the credit risk associated with transactions on a net basis.

(U) The Group monitors the credit risk associated with transactions on a net basis.

(V) The Group monitors the credit risk associated with transactions on a net basis.

(W) The Group monitors the credit risk associated with transactions on a net basis.

(X) The Group monitors the credit risk associated with transactions on a net basis.

(Y) The Group monitors the credit risk associated with transactions on a net basis.

(Z) The Group monitors the credit risk associated with transactions on a net basis.

(A) The Group monitors the credit risk associated with transactions on a net basis.

(B) The Group monitors the credit risk associated with transactions on a net basis.

(C) The Group monitors the credit risk associated with transactions on a net basis.

(D) The Group monitors the credit risk associated with transactions on a net basis.

(E) The Group monitors the credit risk associated with transactions on a net basis.

(F) The Group monitors the credit risk associated with transactions on a net basis.

(G) The Group monitors the credit risk associated with transactions on a net basis.

(H) The Group monitors the credit risk associated with transactions on a net basis.

(I) The Group monitors the credit risk associated with transactions on a net basis.

(J) The Group monitors the credit risk associated with transactions on a net basis.

(K) The Group monitors the credit risk associated with transactions on a net basis.

(L) The Group monitors the credit risk associated with transactions on a net basis.

(M) The Group monitors the credit risk associated with transactions on a net basis.

(N) The Group monitors the credit risk associated with transactions on a net basis.

(O) The Group monitors the credit risk associated with transactions on a net basis.

(P) The Group monitors the credit risk associated with transactions on a net basis.

(Q) The Group monitors the credit risk associated with transactions on a net basis.

(R) The Group monitors the credit risk associated with transactions on a net basis.

(S) The Group monitors the credit risk associated with transactions on a net basis.

(T) The Group monitors the credit risk associated with transactions on a net basis.

(U) The Group monitors the credit risk associated with transactions on a net basis.

(V) The Group monitors the credit risk associated with transactions on a net basis.
## Consolidated Balance Sheets

**Nagase & Co., Ltd. and Consolidated Subsidiaries (March 31, 2010 and 2009)**

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
<th>2010 U.S. $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits (Note 13 and 19)</td>
<td>¥ 42,807</td>
<td>¥ 26,137</td>
<td>$ 460,092</td>
</tr>
<tr>
<td>Notes and accounts receivable (Note 13)</td>
<td>186,985</td>
<td>166,380</td>
<td>2,009,727</td>
</tr>
<tr>
<td>Inventories (Note 4)</td>
<td>31,052</td>
<td>40,072</td>
<td>333,749</td>
</tr>
<tr>
<td>Deferred income taxes (Note 9)</td>
<td>2,825</td>
<td>2,875</td>
<td>30,363</td>
</tr>
<tr>
<td>Other current assets</td>
<td>6,055</td>
<td>15,658</td>
<td>65,080</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>267,775</td>
<td>249,147</td>
<td>2,878,063</td>
</tr>
<tr>
<td><strong>Property, plant and equipment, at cost:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land (Note 7)</td>
<td>11,692</td>
<td>11,731</td>
<td>125,666</td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>38,427</td>
<td>35,167</td>
<td>413,016</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>43,152</td>
<td>42,008</td>
<td>463,801</td>
</tr>
<tr>
<td>Leased assets</td>
<td>318</td>
<td>435</td>
<td>3,429</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>640</td>
<td>755</td>
<td>6,879</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment, at cost</strong></td>
<td>94,231</td>
<td>90,098</td>
<td>1,012,801</td>
</tr>
<tr>
<td><strong>Less accumulated depreciation</strong></td>
<td>(53,909)</td>
<td>(50,890)</td>
<td>(579,417)</td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td>40,322</td>
<td>39,207</td>
<td>433,383</td>
</tr>
<tr>
<td><strong>Investments and other assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities (Notes 5, 7 and 13):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unconsolidated subsidiaries and affiliates</td>
<td>7,420</td>
<td>10,090</td>
<td>79,751</td>
</tr>
<tr>
<td>Other</td>
<td>46,512</td>
<td>43,026</td>
<td>463,091</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>53,933</td>
<td>53,116</td>
<td>546,842</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>¥ 368,088</td>
<td>¥ 340,968</td>
<td>$ 3,956,234</td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
<th>2010 U.S. $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term loans (Notes 6 and 13)</td>
<td>¥ 10,274</td>
<td>¥ 17,143</td>
<td>$ 110,426</td>
</tr>
<tr>
<td>Current portion of long-term debt and finance lease obligations (Note 6)</td>
<td>183</td>
<td>2,787</td>
<td>1,967</td>
</tr>
<tr>
<td>Notes and accounts payable (Note 13)</td>
<td>108,643</td>
<td>90,007</td>
<td>1,167,702</td>
</tr>
<tr>
<td>Accrued income taxes (Note 9)</td>
<td>1,992</td>
<td>1,182</td>
<td>21,410</td>
</tr>
<tr>
<td>Deferred income taxes (Note 9)</td>
<td>21</td>
<td>33</td>
<td>226</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>9,903</td>
<td>9,793</td>
<td>106,438</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>137,114</td>
<td>126,255</td>
<td>1,473,710</td>
</tr>
<tr>
<td><strong>Long-term liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt and finance lease obligations (Notes 6 and 13)</td>
<td>11,428</td>
<td>11,409</td>
<td>122,829</td>
</tr>
<tr>
<td>Deferred income taxes (Note 9)</td>
<td>9,498</td>
<td>3,993</td>
<td>102,085</td>
</tr>
<tr>
<td>Accrued retirement benefits for employees (Note 8)</td>
<td>6,815</td>
<td>6,888</td>
<td>73,248</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>477</td>
<td>406</td>
<td>5,127</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>28,221</td>
<td>22,781</td>
<td>303,321</td>
</tr>
<tr>
<td><strong>Contingent liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity (Note 10):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized — 346,980,000 shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital surplus</td>
<td>10,040</td>
<td>104,245</td>
<td></td>
</tr>
<tr>
<td>Retained earnings (Note 21)</td>
<td>171,286</td>
<td>168,257</td>
<td>1,840,993</td>
</tr>
<tr>
<td>Less treasury stock, at cost (Note 11)</td>
<td>(5,427)</td>
<td>(5,385)</td>
<td>(58,330)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>185,599</td>
<td>182,611</td>
<td>1,994,830</td>
</tr>
<tr>
<td>Valuation and translation adjustments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized holding gain on securities</td>
<td>14,961</td>
<td>7,939</td>
<td>160,802</td>
</tr>
<tr>
<td>Deferred gain on hedges</td>
<td>8</td>
<td>64</td>
<td>86</td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>(5,225)</td>
<td>(6,016)</td>
<td>(56,159)</td>
</tr>
<tr>
<td><strong>Total valuation and translation adjustments</strong></td>
<td>9,744</td>
<td>1,987</td>
<td>104,729</td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>235</td>
<td>235</td>
<td>2,526</td>
</tr>
<tr>
<td>Minority interests</td>
<td>7,173</td>
<td>7,096</td>
<td>77,096</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>¥ 202,753</td>
<td>¥ 191,931</td>
<td>$ 2,179,202</td>
</tr>
</tbody>
</table>

**See accompanying notes to consolidated financial statements.**
## Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries (Years ended March 31, 2010 and 2009)

### Millions of yen

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (Note 23)</th>
<th>Cost of sales (Note 17)</th>
<th>Gross profit</th>
<th>Operating income (Note 20)</th>
<th>Income before minority interests</th>
<th>Income before income taxes and minority interests</th>
<th>Net income</th>
<th>Gain on sales of treasury stock</th>
<th>Income before income taxes and minority interests</th>
<th>Income before income taxes and minority interests</th>
<th>Income before income taxes and minority interests</th>
<th>Income before income taxes and minority interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>¥1,840,993</td>
<td>¥1,702,738</td>
<td>¥138,255</td>
<td>¥13,128</td>
<td>¥7,925</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥1,925</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥7,537</td>
</tr>
<tr>
<td>2009</td>
<td>¥1,899,206</td>
<td>¥1,802,532</td>
<td>¥136,674</td>
<td>¥13,378</td>
<td>¥8,169</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥2,225</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥7,537</td>
<td>¥7,537</td>
</tr>
</tbody>
</table>

### Additional Information

- **Net sales (Note 23)**: ¥1,840,993 billion in 2010, ¥1,899,206 billion in 2009.
- **Cost of sales (Note 17)**: ¥1,702,738 billion in 2010, ¥1,802,532 billion in 2009.
- **Operating income (Note 20)**: ¥13,128 billion in 2010, ¥13,378 billion in 2009.
- **Net income**: ¥7,537 billion in 2010, ¥7,537 billion in 2009.
- **Gain on sales of treasury stock**: ¥1,925 billion in 2010, ¥2,225 billion in 2009.
- **Income before income taxes and minority interests**: ¥7,537 billion in 2010, ¥7,537 billion in 2009.

### Footnotes

See accompanying notes to consolidated financial statements.
### 1. Basis of Preparation

The accompanying consolidated financial statements of Nagase & Co., Ltd. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements presented by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and arrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to investors. In addition, certain reclassifications of previously stated amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2009 in the 2010 presentation. Such reclassifications had no effect on consolidated net income in net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts (as the currency of the parent) at an arbitrary rate of approximately $0.0081 = ¥100, the rate of exchange prevailing on March 31, 2010. This translation should not be construed as a recommendation that this year's amounts be converted or that future amounts be similarly converted into U.S. dollars at the rate of exchange prevailing on March 31, 2010 or at any other time.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen for the years ended March 31, 2010 and 2009 have been expressed in thousands (in yen) instead of millions. The statements for the years ended March 31, 2010 and 2009 (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 decision-making or otherwise account for more than 20% of the assets of the Company or its consolidated entities. Financial statements of such equity methods in equity basis. All significant intercompany transactions and balances have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

The Company's consolidated subsidiaries have a December 31 fiscal year ending date and one domestic consolidated subsidiary's year end is at the end of the fiscal year, both of which refer to the year end of the Company. As a result, subsidiaries have been made for any significant intercompany transactions that took place during the period between the year end of the subsidiaries and the year end of the Company. Consolidated financial data among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

Effective the year ended March 31, 2009, based on the revision of the Corporation Tax Law of Japan, the Company and its consolidated subsidiaries have determined the following:

#### (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 respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (c) Income Taxes

Income taxes paid are reported as a component of net cash provided by operating activities in the consolidated statements of cash flows. Income taxes paid are reported as a component of net cash provided by operating activities in the consolidated statements of cash flows.

#### (d) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the weighted average method. Market value is determined by the lower of cost or market value. Cost is determined by the weighted average method.

#### (e) Goodwill

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (f) Leased Assets

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

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

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (h) Allowance for Doubtful Receivables

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (i) Leased Assets

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (j) Allowance for Doubtful Receivables

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (k) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. Property, plant and equipment are stated at historical cost. Property, plant and equipment are stated at historical cost.

#### (l) Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized primarily over a period of five years on a straight-line basis. Goodwill and negative goodwill are amortized primarily over a period of five years on a straight-line basis. Goodwill and negative goodwill are amortized primarily over a period of five years on a straight-line basis.

#### (m) Other, net

Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments. Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments.

#### (n) Allowance for Doubtful Receivables

The allowance for doubtful receivables is based on the aging of receivables and the estimated uncollectible amounts. The allowance for doubtful receivables is based on the aging of receivables and the estimated uncollectible amounts.

#### (o) Other, net

Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments. Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments.

### Notes to Consolidated Financial Statements

#### (1) 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 decision-making or otherwise account for more than 20% of the assets of the Company or its consolidated entities. Financial statements of such equity methods in equity basis. All significant intercompany transactions and balances have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

The Company’s Consolidated Financial Statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements presented by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and arrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to investors. In addition, certain reclassifications of previously stated amounts have been made to conform to the consolidated financial statements for the year ended March 31, 2009 in the 2010 presentation. Such reclassifications had no effect on consolidated net income in net assets.

#### (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 respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (c) Income Taxes

Income taxes paid are reported as a component of net cash provided by operating activities in the consolidated statements of cash flows. Income taxes paid are reported as a component of net cash provided by operating activities in the consolidated statements of cash flows.

#### (d) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the weighted average method. Market value is determined by the lower of cost or market value. Cost is determined by the weighted average method.

#### (e) 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.

#### (f) Leased Assets

Leased assets and liabilities are carried on the company’s consolidated balance sheets.

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

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the respective transaction dates. Foreign exchange gains or losses related to rates in effect at the respective transaction dates.

#### (h) Allowance for Doubtful Receivables

The allowance for doubtful receivables is based on the aging of receivables and the estimated uncollectible amounts. The allowance for doubtful receivables is based on the aging of receivables and the estimated uncollectible amounts.

#### (i) Other, net

Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments. Other, net includes effects of exchange rate changes on cash and cash equivalents, net of income or loss from foreign operations, and other adjustments.
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. These differences are recorded as deferred tax assets and liabilities in the statement of financial position.

(b) Disclosures and Hedging Activities
The Company and its consolidated subsidiaries follow the hedge accounting standards for financial instruments designated as hedging instruments. The Company designates the fair value changes of certain derivatives from foreign currency exchange gains and losses on the related assets and liabilities and the resulting foreign currency exchange gains and losses reported in the income statement. The Company also designates the fair value changes of other derivatives from foreign currency exchange gains and losses reported in the income statement.

(c) 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 moving average method. As such, cost of sales was impacted to the extent the purchase price of inventories increased relative to the cost of such inventories.

3. Changes in Accounting Policies

(a) Changes in Method of Accounting for Measuring of Retirement Benefits
Effective the year ended March 31, 2010, the Company and its domestic consolidated subsidiaries have adopted the “Partial Amendments to Accounting Standard for Measured Benefits” (KASB Announcement No. 101 dated July 31, 2009). The adoption of this standard had no impact on operating results for the year ended March 31, 2010.

(b) 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, the Company adopted the “Partial Amendments to Accounting Standard for Measured Benefits” (KASB Announcement No. 101 dated July 31, 2009). The adoption of this standard had no impact on operating results for the year ended March 31, 2010.

(c) Proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

\[
\begin{array}{l|c|c|c|c}
\text{Period} & \text{Proceeds from sales} & \text{Gain on sales} & \text{Total gross realized gain} & \text{Total net gain (loss)} \\
\hline
2010 & ¥179 & ¥14 & ¥193 & ¥193 \\
2009 & ¥140 & ¥0 & ¥140 & ¥140 \\
\end{array}
\]

4. Inventories

Inventories at March 31, 2010 and 2009 are summarized as follows.

\[
\begin{array}{l|c|c|c|c}
\text{Period} & \text{Merchandise and finished goods} & \text{Raw materials and supplies} & \text{Accrued bonuses for employees} & \text{Total} \\
\hline
2010 & ¥28,456 & ¥2,320 & ¥566 & ¥31,052 \\
2009 & ¥37,303 & ¥21,808 & ¥448 & ¥40,072 \\
\end{array}
\]

5. Investments in Securities

(a) Marketable securities classified as other securities at March 31, 2010 and 2009 are summarized as follows:

\[
\begin{array}{l|c|c|c|c|c|c|c}
\text{Period} & \text{Equity securities} & \text{Government bonds} & \text{Total} & \text{Book value} & \text{Gross fair value} & \text{Gross unrealized loss (gain)} & \text{Cost} \\
\hline
2010 & ¥19,001 & ¥14 & ¥19,015 & ¥24,575 & ¥24,576 & ¥(301) & ¥43,277 \\
2009 & ¥13,416 & ¥0 & ¥13,416 & ¥18,200 & ¥18,200 & ¥0 & ¥36,600 \\
\end{array}
\]

(b) Securities classified as other securities for which market value was not determinable at March 31, 2010 and 2009 are summarized as follows:

\[
\begin{array}{l|c|c|c|c|c|c|c}
\text{Period} & \text{Equity securities} & \text{Government bonds} & \text{Total} & \text{Carrying value} & \text{Gross fair value} & \text{Gross unrealized loss (gain)} & \text{Cost} \\
\hline
2010 & ¥1,380 & ¥0 & ¥1,380 & ¥31,997 & ¥31,997 & ¥0 & ¥31,997 \\
2009 & ¥0 & ¥0 & ¥0 & ¥0 & ¥0 & ¥0 & ¥0 \\
\end{array}
\]

(c) Proceeds from sales of, and gross realized gain on, other securities for the years ended March 31, 2010 and 2009 are summarized as follows:

\[
\begin{array}{l|c|c|c|c|c|c|c}
\text{Period} & \text{Proceeds from sales} & \text{Gain on sales} & \text{Total gross realized gain} & \text{Total net gain (loss)} & \text{Cost} & \text{Gross fair value} & \text{Gross unrealized loss (gain)} \\
\hline
2010 & ¥179 & ¥14 & ¥193 & ¥193 & ¥13,416 & ¥18,200 & ¥(301) \\
2009 & ¥140 & ¥0 & ¥140 & ¥140 & ¥11,557 & ¥13,416 & ¥0 \\
\end{array}
\]

(d) Research and Development Expenses
Research and development expenses are charged to income when incurred.

(e) Allowance for Voluntary Recall Expenses
The Company 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 as of balance sheet date.
6. Short-term Loans, Long-term Debt and Finance Lease Obligations

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2010 and 2009 are outlined as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>¥ 961</td>
<td>$ 10,329</td>
</tr>
<tr>
<td>Interest cost</td>
<td>453</td>
<td>4,869</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(270)</td>
<td>(2,902)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>1,046</td>
<td>11,242</td>
</tr>
<tr>
<td>Loss on transition to a defined contribution pension plan</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Contributions to defined contribution pension plans</td>
<td>94</td>
<td>1,010</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>369</td>
<td>3,966</td>
</tr>
</tbody>
</table>

7. Pledged Assets

At March 31, 2010, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>¥ 158</td>
<td>$ 1,778</td>
</tr>
<tr>
<td>Inventories in security</td>
<td>1,179</td>
<td>14,118</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 1,337</td>
<td>$ 15,297</td>
</tr>
</tbody>
</table>

8. Retirement Benefits

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, 2010 and 2009 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement benefit obligation</td>
<td>¥95,416</td>
<td>$1,071,715</td>
</tr>
<tr>
<td>Interest cost</td>
<td>13,719</td>
<td>147,413</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(8,574)</td>
<td>(92,215)</td>
</tr>
<tr>
<td>Amendments in normal cost</td>
<td>200</td>
<td>2,200</td>
</tr>
<tr>
<td>Net current benefit obligation</td>
<td>(5,016)</td>
<td>(53,248)</td>
</tr>
<tr>
<td>Prepaid pension expense</td>
<td>(1,889)</td>
<td>(21,008)</td>
</tr>
<tr>
<td>Interest in normal cost recognized in the accumulated benefit plans</td>
<td>¥ (2,578)</td>
<td>$ (27,678)</td>
</tr>
</tbody>
</table>

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, 2010 and 2009.

The reconciliation of the statutory and effective tax rate for the year ended March 31, 2010 has been omitted because the difference between the statutory tax rate and the Company’s effective tax rate for financial statement purposes was less than 5% of the statutory tax rate.

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

<table>
<thead>
<tr>
<th>Effect of:</th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses not deductible for income tax purposes</td>
<td>6.5</td>
<td>723</td>
</tr>
<tr>
<td>Different tax rates applied at overseas subsidiaries</td>
<td>(10.9)</td>
<td>(1,259)</td>
</tr>
<tr>
<td>Statutory tax rate</td>
<td>40.7%</td>
<td>4,442</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>43.0%</td>
<td>4,611</td>
</tr>
</tbody>
</table>

Effective tax rates reflect the accompanying reconciliation of income tax for the year ended March 31, 2009 after the statutory tax rate for the following reasons:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax rate</td>
<td>40.7%</td>
<td>4,442</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>43.0%</td>
<td>4,611</td>
</tr>
<tr>
<td>Tax credit</td>
<td>0.7%</td>
<td>44</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>6.9%</td>
<td>74</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>41.4%</td>
<td>4,685</td>
</tr>
</tbody>
</table>
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 taxes. The significant components of the Company’s and its consolidated subsidiaries’ deferred assets and liabilities at March 31, 2010 and 2009 are summarized as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>U.S. dollars</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain on investments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>¥ 3,454</td>
<td>¥ 29,241</td>
</tr>
</tbody>
</table>

Deferred tax liabilities include certain tax uncertainties, net of tax benefits associated with foreign currency forward contracts with foreign exchange rates determined based on the currency exchange rates on the settlement date. The Company’s policy on foreign currency forward contracts is to hedge the foreign currency risk of certain transactions denominated in foreign currencies, with transactions in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the net-position. Investments in securities are subject to market price fluctuation risk. However, these are mainly shares of listed companies and the risk is limited to the extent that the share prices are quoted on the stock exchange.

12. Share-based Compensation

The 2007 stock option plan (the 2007 plan) was approved by shareholders of the Company on June 27, 2007. The 2007 plan provides for granting options to purchase 760,000 shares of common stock to directors, executive officers and certain key employees of the Company and directors of certain subsidiaries. The exercise price was ¥1,740 ($15.42) per share as of March 31, 2010. 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.

13. Financial Instruments

The Company uses derivative financial instruments for the purpose of hedging its exposure to foreign exchange risk and managing its interest rate risk. The key financial instruments the Company uses include foreign currency forward contracts and interest rate swaps. The key factors that determine the effectiveness of these instruments are the level of volatility in the exchange rates and interest rates, the timing and amount of the hedging transactions, and the extent to which these instruments are offset by changes in the underlying positions. The Company’s policy on foreign currency forward contracts is to hedge the foreign currency risk of certain transactions denominated in foreign currencies.

In the event of a change in the terms and conditions of the Company’s stock option plans, fair value of options as of the grant date for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the net-position. Investments in securities are subject to market price fluctuation risk. However, these are mainly shares of listed companies and the risk is limited to the extent that the share prices are quoted on the stock exchange.

14. Shareholders’ Equity

The Corporation Law of Japan (the “Law”) provides that an amount equal to 10% of the annual profit to be distributed as cash dividends shall be set aside for legal reserve equal to 2% of the capital stock account. Such dividends can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Movements in common stock during the years ended March 31, 2010 and 2009 are summarized as follows:

<table>
<thead>
<tr>
<th>Year ended March 31</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>138,408,285</td>
</tr>
<tr>
<td>2009</td>
<td>138,408,285</td>
</tr>
</tbody>
</table>

15. Treasury Stock

The Company uses treasury stock, issued under the 1996 Act, for the purpose of reacquiring its own shares. The key financial instruments the Company uses include treasury stock and share repurchases. The key factors that determine the effectiveness of these instruments are the level of volatility in the share prices and the timing and amount of the repurchase transactions. The Company’s policy on treasury stock is to reacquire its own shares as needed to manage the capital structure and to protect the interests of shareholders.

In the event of a change in the terms and conditions of the Company’s stock option plans, fair value of options as of the grant date for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the net-position. Investments in securities are subject to market price fluctuation risk. However, these are mainly shares of listed companies and the risk is limited to the extent that the share prices are quoted on the stock exchange.

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In the event of a change in the terms and conditions of the Company’s stock option plans, fair value of options as of the grant date for foreign currency transactions denominated in the same currency involving either payables or receivables, foreign currency forward contracts are used solely for the net-position. Investments in securities are subject to market price fluctuation risk. However, these are mainly shares of listed companies and the risk is limited to the extent that the share prices are quoted on the stock exchange.
(c) Market Value of Financial Instruments

The carrying value of financial instruments without determinable market value at March 31, 2010 is presented as follows:

**Thousands of U.S. dollars**

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted equity securities</td>
<td>¥ 2,977</td>
<td>$ 31,997</td>
</tr>
<tr>
<td></td>
<td>¥ 7,420</td>
<td>$ 79,751</td>
</tr>
<tr>
<td></td>
<td>¥ 10,397</td>
<td>$ 111,748</td>
</tr>
</tbody>
</table>

**Total assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥ 273,084</td>
<td>$ 2,009,899</td>
</tr>
</tbody>
</table>

For the above securities, there is no market price and it is difficult to determine the fair value. Therefore, the fair value of the securities is not included in investments in securities within the summary table of financial instruments.

The redemption schedule for cash and time deposits, notes and accounts receivable and investments in securities with maturity dates at March 31, 2010 is summarized as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts receivable</td>
<td>¥ 42,774</td>
<td>$ 459,738</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>¥ 11,104</td>
<td>$ 1,143</td>
</tr>
</tbody>
</table>

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2010 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable, and short-term loans</td>
<td>¥ 10,412</td>
<td>$ 10,412</td>
</tr>
<tr>
<td>Government bonds</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Short-term loans, including current portion of long-term debt</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 111,909</td>
<td>$ 111,909</td>
</tr>
</tbody>
</table>

14. Derivatives and Hedging Activities

The open currency-related derivatives positions not designated as hedging instruments at March 31, 2010 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable, and short-term loans</td>
<td>¥ 10,412</td>
<td>$ 10,412</td>
</tr>
<tr>
<td>Government bonds</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Short-term loans, including current portion of long-term debt</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 111,909</td>
<td>$ 111,909</td>
</tr>
</tbody>
</table>

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable, and short-term loans</td>
<td>¥ 10,412</td>
<td>$ 10,412</td>
</tr>
<tr>
<td>Government bonds</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Short-term loans, including current portion of long-term debt</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
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</table>

The calculation methods of fair values of financial instruments and securities and derivative transactions are as follows:

<table>
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<tr>
<th>Description</th>
<th>Millions of yen</th>
<th>Millions of U.S. dollars</th>
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</thead>
<tbody>
<tr>
<td>Notes and accounts payable, and short-term loans</td>
<td>¥ 10,412</td>
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</tr>
<tr>
<td>Government bonds</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Short-term loans, including current portion of long-term debt</td>
<td>¥ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 111,909</td>
<td>$ 111,909</td>
</tr>
</tbody>
</table>
### Over-the-counter transactions

<table>
<thead>
<tr>
<th>Type of contract value</th>
<th>Estimated fair value</th>
<th>Unrecognized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Forward foreign exchange contracts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>$46,775</td>
<td>$1,172</td>
</tr>
<tr>
<td>Yen</td>
<td>16,209</td>
<td>(208)</td>
</tr>
<tr>
<td>Euro</td>
<td>2,013</td>
<td>(224)</td>
</tr>
<tr>
<td>Others</td>
<td>21</td>
<td>(6)</td>
</tr>
<tr>
<td>Buying:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>12,285</td>
<td>75</td>
</tr>
<tr>
<td>Yen</td>
<td>10,684</td>
<td>(269)</td>
</tr>
<tr>
<td>Euro</td>
<td>398</td>
<td>(0)</td>
</tr>
<tr>
<td>Others</td>
<td>32</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$91,681</td>
<td>(1,376)</td>
</tr>
</tbody>
</table>

- Fair value is based on the prices obtained from financial institutions.

- The open currency-related derivatives positions designated as hedging instruments at March 31, 2010 are as follows:

#### Allocation method for forward foreign exchange contracts (Note2(p))

<table>
<thead>
<tr>
<th>Type of derivative transaction</th>
<th>Hedged item</th>
<th>Method for hedge accounting</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Estimated fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>Accounts receivable</td>
<td>Deferral hedge accounting</td>
<td>$1,664</td>
<td>¥ —</td>
<td>¥ (48)</td>
</tr>
<tr>
<td>Euro</td>
<td>123</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>—</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. dollars</td>
<td>Accounts payable</td>
<td></td>
<td></td>
<td>1,991</td>
<td>—</td>
</tr>
<tr>
<td>Euro</td>
<td>83</td>
<td>—</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>—</td>
<td>(0)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td>¥ 7,003</td>
<td>¥ 3</td>
</tr>
</tbody>
</table>

- The fair value of forward foreign exchange contracts that qualify for deferral hedge accounting is included in accounts receivables and accounts payables. Fair value is based on the prices obtained from financial institutions.

- The open interest-rate derivative positions designated as hedging instruments at March 31, 2010 are as follows:

#### Swap rate applied to underlying debt (Note 2(p))

<table>
<thead>
<tr>
<th>Type of derivative transaction</th>
<th>Hedged item</th>
<th>Method for hedge accounting</th>
<th>Contract value (notional principal amount)</th>
<th>Contract value (notional principal amount over one year)</th>
<th>Estimated fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-rate swap transaction (pay-fixed, receive-floating)</td>
<td>Long-term debt</td>
<td></td>
<td></td>
<td>¥8,000</td>
<td>—</td>
</tr>
</tbody>
</table>

- Since interest rate swap agreements are accounted for the years ended March 31, 2010 and 2009, interest rate swap agreements are accounted for the years ended March 31, 2010 and 2009, their fair values were included in long-term loans payable.

#### Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2010 and 2009 totaled ¥3,241 million ($34,834 thousand) and ¥2,985 million, respectively.
10. Leases

Operating leases

The following presents leases that expire before March 31, 2010, have an initial term of more than one year, and that the Company has the option to extend for one year after the expiration of the initial term. For leases under which the Company has the option to extend, the future minimum lease payments subsequent to March 31, 2010 have been discounted using the Company’s incremental borrowing rate as of March 31, 2010. 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, 2010 and 2009, which would have been reflected in the accompanying consolidated balance sheets of finance leases accounted for as operating leases:

<table>
<thead>
<tr>
<th>Million yen</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and vehicles</td>
<td>2,109</td>
<td>2,109</td>
<td>2,109</td>
<td>2,109</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>155</td>
<td>155</td>
<td>155</td>
<td>155</td>
</tr>
<tr>
<td>Software included in other assets</td>
<td>98</td>
<td>98</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Total</td>
<td>2,363</td>
<td>2,363</td>
<td>2,363</td>
<td>2,363</td>
</tr>
</tbody>
</table>

The Company and its consolidated subsidiaries were contingently liable as guarantors of loans of customers and other in the aggregate amount of ¥711 million ($7,642 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥30 million ($322 thousand).

In addition, at March 31, 2010, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥367 million ($3,945 thousand).

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

17. Contingent Liabilities

At March 31, 2010, the Company and its consolidated subsidiaries had contingent liabilities as guarantees of loans of customers and other in the aggregate amount of ¥711 million ($7,642 thousand) and as guarantees of housing loans of employees in the aggregate amount of ¥30 million ($322 thousand).

In addition, at March 31, 2010, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥367 million ($3,945 thousand).

19. Cash and Time Deposits

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2010 and 2009 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

<table>
<thead>
<tr>
<th>Million yen</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities maturing within three months</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 2,666</td>
<td>¥ 1,806</td>
<td>¥ 269</td>
<td>¥ 580</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 2,666</td>
<td>¥ 1,806</td>
<td>¥ 269</td>
<td>¥ 580</td>
</tr>
</tbody>
</table>

© NAGASE & CO., LTD. Annual Report 2010
The Company has also included the previously reported business segment information for the year ended March 31, 2010 to continue to use this current segmentation. Business segment information has been presented for the year ended March 31, 2010 is summarized as follows:

Eliminations or corporate

<table>
<thead>
<tr>
<th>Sales to customers</th>
<th>¥ 263,114</th>
<th>¥ 255,859</th>
<th>¥ 135,773</th>
<th>¥ 58,905</th>
<th>¥ 1,585</th>
<th>¥ 715,238</th>
<th>¥ —</th>
<th>¥ 715,238</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended March 31, 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>1,950</td>
<td>2,079</td>
<td>4,298</td>
<td>995</td>
<td>717</td>
<td>10,040</td>
<td>—</td>
<td>10,040</td>
</tr>
<tr>
<td>Eliminations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As discussed in Note 3(b), 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 in the Japan segment for the year ended March 31, 2009. Accordingly, the previously reported business segment information for the year ended March 31, 2009 has been restated as follows:

(b) Geographical Segment Information

<table>
<thead>
<tr>
<th>Sales to customers</th>
<th>¥ 4,369,819</th>
<th>¥ 1,271,894</th>
<th>¥ 570,443</th>
<th>¥ 145,120</th>
<th>¥ 133,996</th>
<th>¥ 6,491,283</th>
<th>¥ —</th>
<th>¥ 6,491,283</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year ended March 31, 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>12,199</td>
<td>10,737</td>
<td>35,372</td>
<td>4,858</td>
<td>14,908</td>
<td>78,095</td>
<td>—</td>
<td>78,095</td>
</tr>
</tbody>
</table>

As discussed in Note 3(b), effective the year ended March 31, 2010, 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 in the Japan segment for the year ended March 31, 2009. Accordingly, the previously reported business segment information for the year ended March 31, 2009 has been restated as follows:
Report of Independent Auditors

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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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 Shinkin Ltd.
Osaka, Japan
June 21, 2010
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Description of Business</th>
<th>Year of Establishment</th>
<th>Equity Ownership (%)</th>
<th>(Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nagase Chemical Co., Ltd.</td>
<td>Import/export, domestic sales, marketing</td>
<td>1971</td>
<td>100.0</td>
<td>HK$3,120</td>
</tr>
<tr>
<td>Nagase Logistics Co., Ltd.</td>
<td>Warehousing and distribution</td>
<td>1982</td>
<td>100.0</td>
<td>4-45, Higashi Tsukaguchicho 2-chome, Honshu</td>
</tr>
<tr>
<td>Honshu Rheem Co., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagase Colors &amp; Chemicals Co., Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sun Delta Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totaku Industries, Inc.</td>
<td>Manufacture and sale of plastic products</td>
<td>1952</td>
<td>77.1</td>
<td>1-33, Mitsuya Minami 1-chome, Osaka</td>
</tr>
<tr>
<td>Nagase General Service Co., Ltd.</td>
<td>Sale and lease of various goods, real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagase Elex Co., Ltd.</td>
<td>Sale of raw materials for plastics and related equipment</td>
<td>2008</td>
<td>40.0</td>
<td>4F, Nihonbashi Tachibana Bldg., 6-11, Higashi</td>
</tr>
<tr>
<td>Counts on</td>
<td>Duplication and processing of computer-related services</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hoei Techno Service Co., Ltd.</td>
<td>Duplication and processing of computer-related services</td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toyo Beauty Supply Corp.</td>
<td>Contract manufacture of cosmetics</td>
<td>1964</td>
<td>40.0</td>
<td>3-10, Nihonbashi-Hongokucho 3-chome, Tokyo</td>
</tr>
<tr>
<td>Nagase Information Development, Nagase Electronics Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagase Sanbio Co., Ltd.</td>
<td>Sale of enzymes and additives for food and related chemicals</td>
<td>1970</td>
<td>100.0</td>
<td>1-17, Shinmachi 1-chome, Nishi-ku, Tokyo</td>
</tr>
<tr>
<td>Nagase ChemteX (Wuxi) Corp.</td>
<td>Manufacturing and processing of plastic products and related chemicals</td>
<td>1976</td>
<td>100.0</td>
<td>5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo</td>
</tr>
<tr>
<td>Kotobuki Kasei Corp.</td>
<td>Molding, processing and sale of plastic products</td>
<td>1981</td>
<td>100.0</td>
<td>(33.3) 2226, Maeno, Iwata-City, Shizuoka</td>
</tr>
<tr>
<td>Ong Fine Co., Ltd.</td>
<td>Plastic tray molding</td>
<td>2001</td>
<td>99.0</td>
<td>(5.0) 6-27, Mizuhai 5-chome, Osaka</td>
</tr>
<tr>
<td>SN Tech Corporation</td>
<td>Manufacture of developer, recycling business</td>
<td>2008</td>
<td>40.0</td>
<td>(5.0) 6-27, Mizuhai 5-chome, Osaka</td>
</tr>
<tr>
<td>Green Park Company, Ltd.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aikawa Kogyo Co., Ltd.</td>
<td>Sale of resin for automobile model, plaster, and agricultural chemicals and materials</td>
<td>1981</td>
<td>100.0</td>
<td>(33.3) 2226, Maeno, Iwata-City, Shizuoka</td>
</tr>
<tr>
<td>Shanghai Kincho Chemical Industry Co., Ltd.</td>
<td>Contract customer services</td>
<td>2006</td>
<td>100.0</td>
<td>(100.0) Room 2501-02, China Resources Building, Taoyuan County328, Taiwan, R.O.C.</td>
</tr>
<tr>
<td>Guangzhou Kurabo Chemicals Co., Ltd.</td>
<td>Contract customer services</td>
<td>2006</td>
<td>100.0</td>
<td>(100.0) Room 2501-02, China Resources Building, Guangzhou Economic &amp; Technological Development Dist., Guangzhou City, Guangdong, China</td>
</tr>
<tr>
<td>Tokai Spring Mfg. (Foshan) Co., Ltd.</td>
<td>Contract customer services</td>
<td>2006</td>
<td>100.0</td>
<td>(100.0) Room 2501-02, China Resources Building, Gao Qiao Free Trade Zone, Pudong, Shanghai, China</td>
</tr>
<tr>
<td>Guangzhou Kure Chemicals Co., Ltd.</td>
<td>Contract customer services</td>
<td>2006</td>
<td>100.0</td>
<td>(100.0) Room 2501-02, China Resources Building, Jingquan 1st Rd., Yonghe Economic Zone, Guangzhou City, Guangdong, China</td>
</tr>
<tr>
<td>Shanghai Kincho Chemical Industry Co., Ltd.</td>
<td>Contract customer services</td>
<td>2006</td>
<td>100.0</td>
<td>(100.0) Room 2501-02, China Resources Building, Taoyuan County328, Taiwan, R.O.C.</td>
</tr>
<tr>
<td>Company Name</td>
<td>Description of Business</td>
<td>Date of Establishment</td>
<td>Capital</td>
<td>Equity Ownership (%)</td>
</tr>
<tr>
<td>--------------</td>
<td>------------------------</td>
<td>----------------------</td>
<td>--------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Dainichi Color Vietnam Co., Ltd.</td>
<td>Manufacture and sale of color masterbatch</td>
<td>1992</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Dainichi Color Vietnam Co., Ltd.</td>
<td>Manufacture and sale of paste and related equipment</td>
<td>1996</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Dainichi Color Vietnam Co., Ltd.</td>
<td>Manufacture and sale of packaging materials and related equipment</td>
<td>1996</td>
<td>28</td>
<td></td>
</tr>
</tbody>
</table>
NAGASE & CO., LTD.

**About NAGASE & CO., Ltd.**

**Company Name:** NAGASE & CO., LTD.
**Founded:** June 18, 1832
**Established:** December 9, 1898

**Paid-in Capital:** ¥9,699 million

**Number of Employees:**

- **Code:** E81118
- **Main Business:** Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronic materials, cosmetics, and health foods
- **Main Bank:** Sumitomo Trust & Banking Co., Ltd.
- **Main Banks:** The Master Trust Bank of Japan, Ltd., The Sumitomo Trust & Banking Co., Ltd., The London Trustee Services Bank, Ltd.

**Main Offices:**

- **Osaka Head Office:** 7-17, Shibarancho, Naniwa-ku, Osaka City, Osaka 553-8890 Tel: (81) 6-6032-2114
- **Tokyo Head Office:** 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo 103-8350 Tel: (81) 3-3660-3021
- **Nagoya Branch Office:** 2-14, Misumachi, Nakamura-ku, Nagoya City, 454-8002 Tel: (81) 52-603-5155
- **Nagoya R&D Center:** Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162
- **Nagase Application Research:** 2-4-45, Higashiminato-ku, Osaka 551-0011 Tel: (81) 6-6031-4730

**History**

- **1882:** NAGASE & CO. founded in Kyoto as a dyestuffs trading concern
- **1893:** Inaugurated as Nagase Shoten Company with capital of ¥3 million
- **1898:** Head office moved to Osaka, branch office to Kyoto
- **1900:** Established Tokyo branch office
- **1917:** Established business ties with Basel Chemical Co. of Switzerland (now Ciba Specialty Chemicals Ltd.)
- **1923:** Established business ties with Eastman Kodak Co. of the United States
- **1940:** Established Nagoya branch office
- **1943:** Company name changed to Nagase & Co., Ltd.
- **1964:** Concluded exclusive distributorship agreements with Union Carbide and Continental Can Co. of the United States
- **1968:** Established Nagase International Electronics, Ltd.
- **1974:** Established Nagase Landauer Ltd. jointly with Technical Operations, Inc. of the United States
- **1975:** Established Nagase Singapore (Pte) Ltd.
- **1976:** Established Nagase (Europa) GmbH
- **1980:** Established Nagase (Malaysia) Sdn. Bhd.
- **1982:** Established Nagase (Singapore) Pte. Ltd.
- **1985:** Established Nagase (Malaysia) Sdn. Bhd. (Patiala)
- **1988:** Established Nagase (Thailand) Co., Ltd.
- **1990:** Established Nagase Philippines, Inc.
- **1992:** Established Nagase China, Ltd.
- **1993:** Established Pacific Network Company Pte. Ltd.
- **1995:** Established Nagase International Technology, Inc.
- **1997:** Established Nagase (Asia) Group Co., Ltd.
- **1998:** Established Nagase (China) Co., Ltd.
- **1999:** Established Nagase (South China) Co., Ltd.
- **2000:** Established Nagase (Europe) GmbH
- **2002:** Established Nagase (South Africa) Ltd.
- **2003:** Established Nagase (Tanzania) Ltd.
- **2004:** Established Nagase (South Australia) Ltd.
- **2005:** Established Nagase (Kenya) Ltd.
- **2006:** Established Nagase (Indonesia) Ltd.
- **2007:** Established Nagase (Malaysia) Sdn. Bhd. (Kuala Lumpur)
- **2008:** Established Nagase (New Zealand) Ltd.
- **2009:** Established Nagase (Hong Kong) Ltd.
- **2010:** Established Nagase Vietnam Co., Ltd.

**Monthly Share Price Range of NAGASE & CO., LTD.**

- **2000:** April to March
- **2001:** April to March
- **2002:** April to March
- **2003:** April to March
- **2004:** April to March
- **2005:** April to March
- **2006:** April to March
- **2007:** April to March
- **2008:** April to March
- **2009:** April to March
- **2010:** April to March

**Corporate Information (As of March 31, 2010)**

- **Investor Information:**
  - **Address:** NAGASE & CO., LTD.
  - **Incorporated:** April 20, 1898
  - **Number of Employees:** 12,000
  - **Number of Shareholders:** 10,986
  - **Principal Shareholders:**
    - NORTHERN TRUST CO.
    - 7,046 5.09
    - The Master Trust Bank of Japan, Ltd.
    - 6,870 4.96
    - The Sumitomo Trust & Banking Co., Ltd.
    - 5,201 3.76
  - **Number of Employees:**
    - 6,870 4.96
    - The Sumitomo Trust & Banking Co., Ltd.
    - 5,201 3.76
  - **Number of Employees:**
    - 4,377 3.16
    - Mitsui Sumitomo Insurance Co., Ltd.
    - 4,211 3.04
    - Jardine Fleming Insurance Co., Ltd.
    - 2,951 2.13
  - **Number of Employees:**
    - 2,879 2.08
    - Japan Trustee Services Bank, Ltd.
    - 3 thousand shares
  - **Number of Employees:**
    - 2,879 2.08
    - Japan Trustee Services Bank, Ltd.
    - 3 thousand shares
  - **Number of Employees:**
    - 1,000 7.53
    - Nisshin Sompo Kenko Insurance Co., Ltd.
  - **Number of Employees:**
    - 900 6.01
  - **Number of Employees:**
    - 300 2.00

**Investor Information (As of March 31, 2010)**

- **Stock Listings:**
  - **Symbol:** NAGASE
  - **Address:** NAGASE & CO., LTD.
  - **Number of Employees:**
    - 12,000
  - **Number of Employees:**
    - 10,986
  - **Number of Employees:**
    - 10,986

**Principal Shareholders:**

- **Name:**
  - 72.1%
  - 15.5%
  - 14.3%

**Allocation of Number of Shares:**

- **Name:**
  - Company:
    - 54,380,000
  - **Address:**
    - NAGASE & CO., LTD.
  - **Address:**
    - NAGASE & CO., LTD.
  - **Address:**
    - NAGASE & CO., LTD.

**Principal Shareholders:**

- **Name:**
  - 72.1%
  - 15.5%
  - 14.3%

**Share Price:**

- **Name:**
  - 72.1%
  - 15.5%
  - 14.3%