Consolidated Financial Statements for the Fiscal Year Ended March 31, 2009

April 30, 2009

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

Nagase & Co., Ltd. Stock exchange listing: Tokyo, Osaka (First Sections)
Code number: 8012 (http://www.nagase.co.jp)
Representative: Hiroshi Nagase, Representative Director and President
Contact: Masanori Furukawa, Manager, Corporate Accounting Division
Annual General Meeting of Stockholders (scheduled): June 25, 2009
Start of distribution of dividends (scheduled): June 26, 2009
Filing of Securities Report (*Yuka Shoken Hokokusho*) (scheduled): June 26, 2009

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

1. Consolidated Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	715,238	(6.5)	12,522	(45.7)	13,052	(47.4)	5,808	(42.0)
Fiscal 2008	764,755	9.0	23,063	6.4	24,823	6.9	10,005	(26.3)

	Earnings per share	Earnings per share (diluted)	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Fiscal 2009	45.17	45.17	3.0	3.4	1.8
Fiscal 2008	77.86	77.79	4.9	5.9	3.0

(Reference) Equity in earnings of affiliates: FY2009: ¥(520) million (Fiscal 2008: ¥437 million)

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	340,968	191,931	54.1	1,435.88
March 31, 2008	419,869	208,377	47.8	1,559.97

(Reference) Equity capital: March 31, 2009 ¥184,599 million (March 31, 2008: ¥200,554 million)

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2009	36,161	(11,062)	(5,549)	36,137
Fiscal 2008	(2,586)	(7,009)	10,738	23,486

2. Dividends

	Dividends per share					Total dividends paid (full fiscal year)	Payout ratio (consolidated)	Dividends/net assets (consolidated)
(Record date)	1Q	Interim	3Q	Fiscal Year-End	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal 2008	—	0.00	—	17.00	17.00	2,186	21.8	1.1
Fiscal 2009	—	8.00	—	8.00	16.00	2,057	35.4	1.1
Fiscal 2010 (est.)	—	7.00	—	7.00	14.00		37.5	

3. Projected Consolidated Results for the fiscal year ending March 31, 2010 (April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	271,000	(29.5)	2,400	(73.0)	2,700	(72.6)	1,500	(73.7)	11.67
Fiscal 2010 (Full fiscal year)	564,000	(21.1)	6,800	(45.7)	7,700	(41.0)	4,800	(17.4)	37.34

4. Other

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

(2) Changes in accounting principles, procedures and presentation methods in connection with the preparation of consolidated financial statements
(Recorded under "Changes in important items considered fundamental to the preparation of consolidated financial statements").
i. Changes in accordance with revisions to accounting and other standards: Yes
ii. Changes in items other than (i) above: No

(3) Number of share issued and outstanding (common stock)
i. Number of shares issued and outstanding as of the fiscal year-end (including treasury stock)
March 31, 2009: 138,408,285 shares
March 31, 2008: 138,408,285 shares
ii. Number of treasury stock as of the fiscal year-end
March 31, 2009: 9,846,589 shares
March 31, 2008: 9,844,934 shares

(Reference) Summary of non-consolidated results

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2009 (April 1, 2008 to March 31, 2009)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal 2009	457,632	(12.4)	2,573	(64.7)	7,711	(37.3)	4,621	69.4
Fiscal 2008	522,260	5.1	7,292	(11.6)	12,294	(4.5)	2,728	(64.9)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Fiscal 2009	35.93	35.93
Fiscal 2008	21.22	21.20

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2009	239,088	129,228	54.0	1,003.09
March 31, 2008	301,354	138,149	45.8	1,072.82

(Reference) Equity capital: March 31, 2009 ¥128,992 million (March 31, 2008: ¥137,966 million)

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

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	183,000	(30.8)	100	(96.9)	2,500	(65.5)	2,100	(56.0)	16.33
Fiscal 2010 (Full fiscal year)	381,000	(16.7)	1,000	(61.1)	4,500	(41.6)	3,400	(26.4)	26.44

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

1. Business Performance

(1) Analysis of Business Performance

(Performance for the Fiscal Year Ended March 31, 2009)

a. General Summary of Results

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

Against this backdrop, total net sales contracted 6.5 percent compared with the previous fiscal year to ¥715.23 billion, as domestic sales decreased 8.8 percent to ¥394.87 billion and overseas sales declined 3.5 percent to ¥320.36 billion.

On the earnings front, gross profit fell 11.2 percent year on year to ¥71.52 billion. This mainly reflected the upswing in manufacturing costs at manufacturing subsidiaries due to rising raw material prices and the posting of a loss on valuation of inventories. After taking into consideration such factors as the amortization of actuarial gain in retirement benefit accounting, selling, general and administrative expenses increased. As a result, operating income fell 45.7 percent to ¥12.52 billion and ordinary income dropped 47.4 percent to ¥13.05 billion. Impacted by an extraordinary loss on valuation of investment securities totaling ¥1.23 billion, net income for the fiscal year under review declined 42.0 percent to ¥5.80 billion.

b. Segment Summary

[Chemicals]   Sales: ¥248.46 billion, a 7.2 percent decrease year on year

Overall sales in the Chemicals segment declined year on year. Despite robust results in Asia including the South China region as well as the Association of South-East Asian Nations, this downturn was attributable to the slump in domestic sales encompassing Nagase Group products.

- In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, printing-related business sales expanded in the South China region. While sales of ink materials for printers edged up slightly, results in products such as functional color pigments for plasma displays and other applications contracted. Accounting for these factors as well as weak domestic and overseas dyestuff results, overall sales of the colors and imaging business declined compared with the previous fiscal year.
- In the performance chemicals business which in relative terms encompasses upstream fields, overall sales decreased. In addition to lower sales of plastic raw materials and additives, results in urethane and coating materials, mainly to the automotive industry, an area on which this business concentrates, were weak.
- In the specialty chemicals business, sales of raw materials for cosmetics were firm. This was, however, more than offset by decreases in sales of oil solutions and organic synthesis materials as well as products for LCD and other related applications manufactured by Nagase ChemteX Corp. As a result, overall specialty chemicals business sales declined year on year.

[Plastics]   Sales: ¥253.02 billion, a 7.9 percent decrease year on year

Although sales to the automotive industry, particularly in the Greater China region including Hong Kong and Taiwan, contributed to a slight upswing in results, the Plastics segment’s overall performance declined due mainly to the slump in sales both in Japan and the Association of South-East Asian Nations.

- Sales decreased substantially in businesses centered on precision and electronic equipment applications such as printers and copiers both abroad, focusing mainly on Asia, as well as Japan. In addition, sales of engineering plastics for CDs, DVDs and other media applications and LCD components, primarily in Taiwan, contracted.
- Sales to the automotive industry decreased slightly year on year. Despite an increase in domestic sales of interior materials and certain components for mechanical part application, this was mainly attributable to the drop in product sales for lamps and other applications. Overseas, results were mixed. Sales were robust in the Southern and Northern regions of China and increased in Thailand and Indonesia, but declined in North America. Accounting for the aforementioned factors, overall overseas sales improved compared with the previous fiscal year.

- In the housing equipment and building materials business, sales of building products and plastics, a key raw material, slumped. In addition to lower sales to the packaging materials industry, results of the electronic component assembly business, which is part of the downstream operations of the plastics business, decreased.
- Among the Group's domestic manufacturing companies, sales were flat at Totaku Industries, Inc., a manufacturer of various types of flexible hose and pipes for industrial applications and household appliances. Results fell marginally at Kotobuki Kasei Corp., a manufacturer of plastic trays used in food packaging, and declined at Setsunan Kasei Co., Ltd., which handles plastic coloring and compounding.

[Electronics]   Sales: ¥153.25 billion, a 6.5 percent decrease year on year

Sales in the Electronics segment saw an overall decline. Buffeted by the global downturn in semiconductor and LCD-related industry demand from the second half of the fiscal year under review, sales of products including chemicals for manufacturing LCDs and various materials for semiconductors and other applications stalled.

- In the electronic chemicals business which is mainly comprised of original products manufactured by Nagase ChemteX Corp. and other Group companies, sales of formulated epoxy resins and chemicals declined substantially. At the same time, sales of supply and control equipment for front-end-of-line photolithography for LCDs and semiconductors were weak. As a result, overall electronic chemicals business sales decreased year on year.
- In the LCD-related business, sales of optical film and other materials were robust. Overall business sales, on the other hand, declined slightly due mainly to the substantial drop in derivative business sales including LCD component processing and aluminum housing materials for electronic equipment.
- Sales of precision abrasive materials used in silicon wafer processing and encapsulants used in post-processing of semiconductors experienced a large-scale decline.

[Life Sciences]   Sales: ¥58.90 billion, a 4.3 percent increase year on year

In the Life Sciences segment, sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly, while sales of pharmaceutical raw materials and intermediates in the fine chemicals business increased, resulting in solid overall growth in sales.

- In the fine chemicals business, sales of fermentation products declined marginally. Buoyed by growth in pharmaceutical raw materials and intermediates, however, as well as diagnostic agents and reagents, overall sales in the fine chemicals business improved.
- In the beauty care products business, which handles cosmetics and health foods, renewal of the mainstay health food product lineup contributed favorably to sales. Impacted by a decline in existing product sales including cosmetics, however, overall results in the beauty care products business saw a slight decline.

[Other]   Sales: ¥1.58 billion, an 18.1 percent decrease year on year

Sales of the Others segment contracted substantially due to the discontinuation of portable DVD player operations in the previous fiscal year.

Forecast for the Fiscal Year Ending March 31, 2010

(Millions of yen)

	Net Sales	Operating Income	Ordinary Income	Net Income
Fiscal year ending March 31, 2010	564,000	6,800	7,700	4,800
Fiscal year ended March 31, 2009	715,238	12,522	13,052	5,808
Year-on-year comparison	(21.1)%	(45.7)%	(41.0)%	(17.4)%

a. Performance Forecast for the Fiscal Year Ending March 31, 2010 (Fiscal 2010)

The economic outlook for the fiscal year ending March 31, 2010 remains extremely clouded. Given the uncertainty that surrounds future operating conditions, predicting an end to the global financial crisis and the timing for a recovery in the real economy is problematic. Turning to the domestic economy, careful consideration must be given to the ability of pump priming measures to stimulate the economy. Under the prevailing circumstances, there is little room for optimism.

Based on the aforementioned, consolidated net sales for the fiscal year ending March 31, 2010 are expected to fall 21.1 percent to ¥564.00 billion. From a profit perspective, operating income is projected to decline 45.7 percent to ¥6.80 billion, ordinary income to decline 41.0 percent to ¥7.70 billion and net income to contract 17.4 percent to ¥4.80 billion.

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

b. Forecast by Business Segment

In the Chemicals segment, sales are projected to drop 16.3 percent compared with the previous fiscal year to ¥208.00 billion. This is mainly attributable to the decline in domestic and overseas sales including coating and urethane materials. In the Plastics segment, sales are forecast to decrease 25.9 percent to ¥187.50 billion due to a slump in sales to the automotive, precision and electronic equipment industries. In the Electronics segment, sales are expected to contract 30.8 percent to ¥106.00 billion owing to lower sales to the LCD- and semiconductor-related industries. Buoyed by sales growth in pharmaceutical raw materials and intermediates, results in the Life Sciences segment are anticipated to climb 3.6 percent to ¥61.00 billion. In the Other segment, sales are projected to decrease 5.4 percent year on year to ¥1.50 billion.

The forecast for the fiscal year ending March 31, 2010 is based on information available to the Company's management as of the date of this report. Accordingly, forecasts may differ materially from actual results due to a variety of factors including unforeseen changes in economic conditions or the operating environment, including the effect of economic trends in the United States and China and the effect of changes in the supply/demand balance in the electronic equipment, automotive and related markets.

(2) Analysis of Financial Position

a. Summary of Consolidated Balance Sheets

Total assets decreased ¥78.90 billion compared with the end of the pervious fiscal year to ¥340.96 billion. Despite an increase in fixed assets reflecting the purchase of property, plant and equipment, this decrease was attributable to the drop in notes and accounts receivable on the back of lower sales and the decline in investments in securities due to the decrease in stock prices.

Total liabilities contracted ¥62.45 billion compared with the previous fiscal year-end to ¥149.03 billion. Long-term debt increased year on year. This was, however, more than offset by declines in notes and accounts payable and short-term loans.

Net assets stood at ¥191.93 billion as of March 31, 2009, down ¥16.44 billion compared with March 31, 2008. While retained earnings climbed year on year, net assets decreased due mainly to the drop in net unrealized holding gain on securities.

Accounting for the aforementioned factors, the net worth ratio rose 6.3 percentage points from 47.8 percent to 54.1 percent.

b. Summary of Consolidated Cash Flows

Net cash provided by operating activities was ¥36.16 billion, due to factors including a decrease in working capital and income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥11.06 billion. This reflected such factors as purchases of property, plant and equipment.

Net cash used in financing activities totaled ¥5.54 billion. Major cash inflows including proceeds from long-term debt were offset by the net increase in short-term loans.

As a result, the balance of cash and cash equivalents as of March 31, 2009 stood at ¥36.13 billion, up ¥12.65 billion compared with the end of the previous fiscal year.

c. Trends in Cash Flow Indicators

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Net worth ratio	49.8%	49.6%	48.5%	47.8%	54.1%
Net worth ratio based on market value	40.8%	51.0%	45.1%	31.2%	28.7%
Interest-bearing debt to cash flow ratio	8.2 years	—	1.9 years	—	0.9 years
Interest coverage ratio	3.3	—	12.6	—	36.0

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

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

(3) Dividend Policy and Dividends for the Fiscal Years Ended March 31, 2009 and Ending March 31, 2010

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

Based on this policy, Nagase plans to pay a fiscal year-end dividend of ¥8.00 per share for the fiscal year ended March 31, 2009. Together with the interim dividend, the Company therefore intends to pay an annual dividend of ¥16 per share, ¥1 per share lower than for the previous fiscal year.

For the fiscal year ending March 31, 2010, Nagase plans to pay a total cash dividend of ¥14 per share, consisting of an interim and fiscal year-end dividend of ¥7 per share each.

(4) Operating and Other Risks

The Nagase Group is engaged in trading, marketing, research and development, manufacturing and processing, and conducts global business activities in the five segments of Chemicals, Plastics, Electronics, Life Sciences and Others. The following presents an overview of major operating and other risks to which the Nagase Group's businesses are subject by their nature and that exert or could exert a significant influence on investor decisions. Forward-looking statements are Nagase Group estimates as of March 31, 2009.

a. Overall Operating Risk
The Nagase Group conducts a wide spectrum of operations across five fields comprising chemicals, plastics, electronics, life sciences and others, all from its base in chemicals. The chemical industry both in Japan and internationally is subject to significant volatility that could impact the Group's performance and financial position.

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

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

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

d. Risks Involved in Operating Overseas
A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in China, Southeast Asia, Europe and North America. As a matter of policy, the Nagase Group makes every effort to determine trends in markets overseas and respond appropriately to them. However, failure on the part of the Nagase

Group to make accurate projections due to unexpected events including factors related to the regulatory systems and customs of overseas countries could impact the Group's performance and financial positions.

e. Impact of Changes in Stock Prices

The Nagase Group maintains a portfolio of marketable stock, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by continuously reviewing and reorganizing its shareholdings. However, changes in stock prices could impact the Group's performance and financial position. Moreover, a drop in stock prices that reduces return on pension plan assets could impact the Group's profitability by increasing retirement benefit costs.

f. Counterparty Credit Risk

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

g. Risk of New Investments

The Nagase Group's businesses are based on brokerage transactions, and the Group is working to develop high-value-added businesses. As a matter of policy, the Nagase Group is therefore supporting the ability of the Nagase R&D Center, Group manufacturing subsidiaries and other Group organizations to provide high-level technologies and information through measures such as aggressively investing in new businesses and strategic acquisitions. However, this policy entails operating risks that are different from those inherent in the Group's conventional, low-risk brokerage businesses. The increased latent risks involved could impact the Group's performance and financial position.

h. Product Quality Risk

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide high added value to customers, and devotes scrupulous attention to the quality of the technologies and products the Group thus provides. In addition, the Nagase Group assumes liability for the products it handles as an importer, and devotes the same attention to the quality of these products. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers or pay compensation for damages, which could impact the Group's performance and financial position.

i. Risks of Handling Various Chemicals

Chemicals are a core business of the Nagase Group, which imports and exports a diverse array of products for a broad range of applications. The Group's exports are therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order, and imports are subject to the Chemical Substances Control Law and other laws and regulations. The Nagase Group has therefore established the Security Trade Control Committee and the Chemical Management Committee, which work to assure compliance with the above regulatory systems and with laws related to chemical product management in China, Europe, North America and elsewhere. Contravention of these regulatory systems would result in restrictions on business activities, and therefore could impact the Group's performance and financial position.

2. Information on the Corporate Group

There are no material changes to the business activities of the Nagase Group or the status of affiliated companies outlined in the Company's Securities Report filed on June 27, 2008. Accordingly, this information has been omitted.

3. Management Policies

(1) Basic Management Policy

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

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

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

(2) Management Objectives and Medium-Term Strategies

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

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

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

1. Select and concentrate businesses
2. Build businesses around environment- and energy- related technologies
3. Strengthen R&D and manufacturing functions
4. Promote globalization
5. Strengthen risk management
6. Promote employee diversity and work-life balance

(3) Issues to be Addressed by the Company

Responding to Changes in the Business Environment
Concentrating on areas of potential, the Nagase Group has adopted a "selection and focus" approach in its efforts to combat sudden and dramatic changes in its business environment brought on by the worldwide financial crisis. With regard to the Company's existing businesses, particularly those that exhibit a weak operating foundation and are notably affected by shifts in the environment, Nagase is undertaking a stringent review of new investment activity encompassing investment details, timing and scale, and adopting wide-ranging countermeasures that include business withdrawal. At the same time, the Company is evaluating the probability of inventory sales and strengthening its business risk management capabilities focusing on asset management and maintenance.

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

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

1. Select and concentrate businesses

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

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

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

3. Strengthen R&D and manufacturing functions

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

4. Promote globalization

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

5. Strengthen risk management

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

6. Promote employee diversity and work-life balance

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