Further growth through collaborative expertise

TOAGOSEI

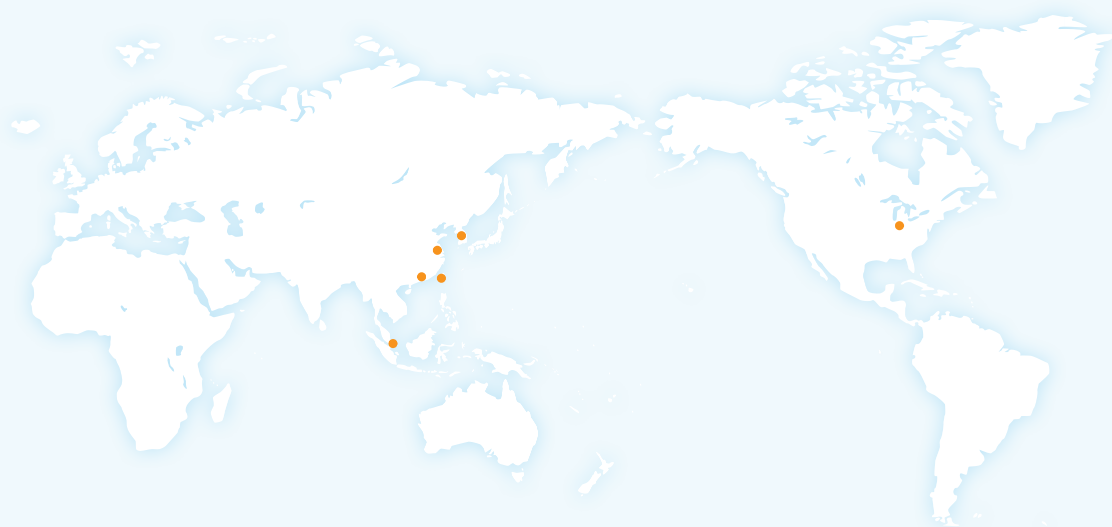
Annual Report 2010

Profile

Since its establishment on March 31, 1942, Toagosei Co., Ltd. has continued to grow along with the whole chemical sector in Japan. Including the parent, Togasei, the Group comprises 42 companies, engaged in four principal business domains, Commodity Chemicals, Acrylic Products, Specialty Chemicals and Plastics, each of which leverages its unique strengths to push out the frontiers in technological and product development.

As of December 2010, the Group's sales came to ¥153.8 billion and its workforce totaled 2,533, both on a consolidated basis.

Under its slogan "Sharing more happiness with more people through the chemical business," the Group manufactures and markets high-value-added products on a global scale, from bases in Japan, Singapore, China, Taiwan, South Korea and the United States.



Contents

The catch phrase on the cover, "Further growth through collaborative expertise" expresses the core concept behind our medium-term management plan for fiscal 2011 – 2013. It was printed using ink made from our popular UV-curable acrylic product *Aronix*.

Financial Highlights

Toagosei Co., Ltd. and Consolidated Subsidiaries

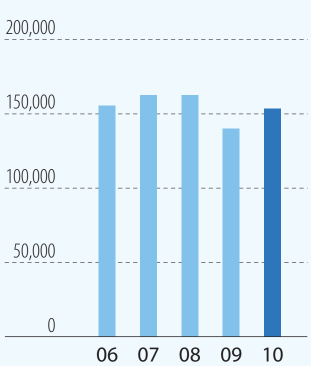
Years ended December 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)	10/09
	2010	2009	2008	2010	Change (%)
Net sales	¥153,779	¥140,033	¥162,615	$1,887,098	9.8
Operating income	21,271	11,158	11,668	261,030	90.6
Income before income taxes and minority interests	17,917	7,205	6,869	219,868	148.7
Net income	13,133	3,541	1,895	161,164	270.9
Total assets	173,847	161,609	172,464	2,133,361	7.6
Net worth (Note 2)	110,283	99,449	99,271	1,353,331	10.9
	Yen			U.S. dollars (Note 1)	
Per share of common stock					
Net income	¥52.05	¥13.85	¥7.27	$0.64	275.8
Cash dividends applicable to the year	9.00	6.00	8.00	0.11	50.0
	%				
Ratio					
Return on equity (ROE)	12.5	3.6	1.9	—	247.2
Return on total assets (ROA)	7.8	2.1	1.1	—	271.4
Net worth	63.4	61.5	57.6	—	3.1
	Millions of yen			Thousands of U.S. dollars (Note 1)	10/09
	2010	2009	2008	2010	Change (%)
Net sales by segment					
Commodity Chemicals	¥46,870	¥45,646	¥55,165	$575,174	2.7
Acrylic Products	60,680	48,683	51,057	744,636	24.6
Specialty Chemicals	16,970	15,607	24,380	208,257	8.7
Plastics	28,026	28,599	30,550	343,920	(2.0)
Other Businesses	1,231	1,497	1,460	15,110	(17.8)

Notes 1: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥81.49 = $1.00.
2: Net worth refers to the amount of net assets after deduction of minority interests.

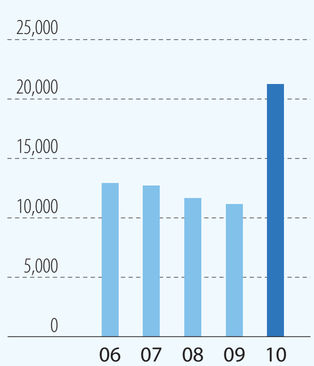
Net sales

(Millions of yen)



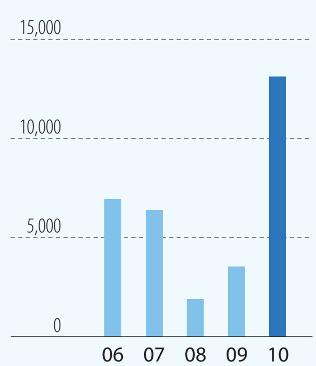
Operating income

(Millions of yen)



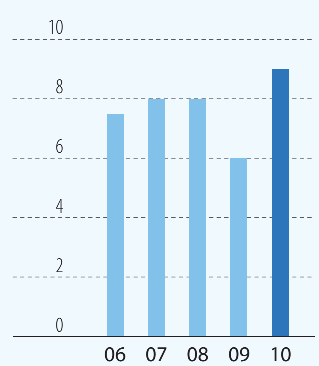
Net income

(Millions of yen)



Cash dividends

(Yen per share)



Adhesives

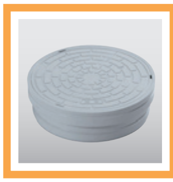
Our adhesives are used in IC chip-embedded smart cards

Caustic soda

Our caustic soda is used in paper manufacturing processes

Polymer flocculants

Our polymer flocculants are used in the treatment of various kinds of wastewater



PVC manhole covers

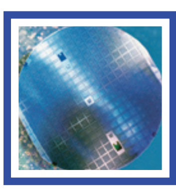
We offer seal-type, mesh-type and many other types of manhole cover

Clear Wall

Clear Wall is a method of construction that protect buildings and make them safe and long-lasting

Acrylic ester

Acrylic ester is a raw material for adhesives



High-purity products and industrial gases

High-purity products and industrial gases are used in the manufacture of silicon wafers and semiconductors

Toagosei Group

Commodity Chemicals →P6

Essential raw materials that underpin the daily life of the community

Commodity chemicals form the oldest of the businesses operated by Toagosei Group. This division helps create a better life for everybody by supplying products used in a wide range of industries, including caustic soda, various chlorides, sulfuric acid and industrial gases. Another development focus is high value-added products such as inorganic high-purity chemicals.

Sales by segment 30.5%

Acrylic Products →P8

Expansion of integrated acrylic chain business from monomers to its derivatives

Acrylic products is one of the core businesses of Toagosei Group. Starting with acrylic acid and acrylic ester, we have developed wide ranges of highly functional acrylic polymer products. Likewise, we have world-beating technologies in the field of UV-curable resins, and are developing this business globally based on three production bases, in Japan, China, and Taiwan.

39.5%

Silver-based inorganic antimicrobial agents

Our silver-based inorganic antimicrobial agent *Novaron* helps raise standards of comfort and cleanliness in our daily lives

Aronix UV-curable resin

Aronix is used in components for LCD TVs, DVD manufacturing, and cell phone surface coatings

Aron Alpha

Aron Alpha products are a byword for instant adhesives in Japan

* They are marketed under the brand name *Krazy Glue* in the United States

PVC small-diameter couplings

PVC small-diameter couplings are used in sewage system maintenance

Nursing care products

Anju is the brand under which all Aronkasei Co., Ltd. nursing care products are marketed

Acrylic ester

Acrylic ester is a key raw material in acrylic paints

in our daily life

A wide range of Toagosei Group products are used in our daily lives

Specialty Chemicals →P10

Highly functional adhesives and construction materials and products that ensure longer building life

In addition to *Aron Alpha*, a byword for household-use instant adhesives, our broad lineup of industrial adhesives meets a wide range of customer needs. Other popular products include construction materials and products that protect and prolong the lives of buildings, inorganic functional materials for the amenity market, and highly functional electronics materials.

11.0%

Plastics →P14

Four priority fields: Water supply and sewer systems, nursing care products, elastomers, and products for use in environmental preservation systems

Our plastics business, based on our plastics processing technologies, supplies water and sanitation products, electrical power and communication equipment, and portable toilets for the nursing care market. For the environmental preservation sector we provide garbage sorting boxes. In addition, we are focusing development efforts on elastomer compounds.

18.2%

President
Futoshi Hashimoto

Futoshi Hashimoto

Interview with the President

Q1

Looking back on 2010, the last year in the medium-term management plan launched in 2008, what comments do you have?

A ➤ Relatively stable crude oil and naphtha prices, combined with stimulus policies implemented in countries all around the world and growth in newly emerging countries, made 2010 a year of economic smooth sailing for us. In addition to these tail winds, the Toagosei Group benefited from reform measures implemented since the global recession began in the end of 2008. As a result, we were able to record our highest-ever earnings on a consolidated basis. In addition, 2010 was the final year of the three-year medium-term management plan launched in 2008. We came close to our earnings targets despite an extremely hostile operating environment, with the plan coinciding with three years of global recession.

That plan had three priorities: expanding businesses with high-value-added products, strengthening our established core businesses and creating new businesses. In addition to successfully expanding sales of high-value-added products such as *Aronix* UV-curable resins, industrial adhesives and high-purity industrial silicon gases, we also strengthened our fundamentals by boosting production capacity for synthetic hydrochloric acids and by winding up unprofitable businesses such as chlorinated organic solvents. However, with regard to creating new businesses, we have not yet progressed beyond the groundwork tasks of overhauling our research organization and establishing a new General Center for R&D. The endeavor to create new businesses will be continued in the next medium-term management plan.

Over the long term, the new plan is designed to bring the Group closer to its vision for 2020 of being a high-profile chemical-industry leader generating sales of over ¥300 billion and earnings of over ¥40 billion a year, on a consolidated basis. The three-year management plan beginning in 2011, "All TOA 2013," is the first step toward the harnessing of comprehensive group strengths to realize this vision.

Q2

In the vision for 2020, why have you set a group target of consolidated sales of ¥300 billion?

A ➤ There are two reasons for placing so much emphasis on corporate scale. First, we have recognized the need for an ambitious target, to build Toagosei into a corporate group in which each employee can place hope and feel pride. Second, we must pursue sustainable growth and expansion of operations to fulfill our corporate responsibility of stepping up our contribution to the community.
To date we have emphasized streamlining operations to strengthen profitability, but I believe we need to expand the enterprise value of the Toagosei Group by scaling up corporate operations, and so take the company to the next stage. That is the way to deepen public trust.

In a time of severe upheaval, we have set ourselves a long-term goal of doubling our corporate size and boosting annual sales to ¥300 billion, to assure our survival by sheer force of scale. Our drive to become a ¥300 billion company embodies our determination to infuse our corporate activities with energy, ambition and pride.

Q3

What are the key points of "All TOA 2013"?

A ➤ With "collaborative expertise" as its main themes, "All TOA 2013" is aimed at transforming Toagosei into a highly profitable enterprise that generates value by pooling the know-how of Group members based on the expertise and accumulated experience of individual employees, and by building partnerships within the Group and with outside entities.

We are determined to develop our high-value-added product operations into highly profitable businesses, while strengthening the profitability of established core lineups, by optimizing resource allocation within the Group, supported by strategies for success tailored to individual product categories.

Q4

What message do you have for investors?

A ➤ For Toagosei to progress to the next stage, it is essential that all employees of the Group unite in sharing our long-term goals and embracing the challenges they present.

Based on the "All TOA 2013" plan for the coming three years, we will further aggressively develop our businesses and strengthen our business portfolio. We are ready for the challenges of the next stage. I hope we can count on our investors' support in meeting our growth targets.

New Medium-Term Business Plan

"ALL TOA 2013" (2011–2013)

Slogan: Further growth through collaborative expertise

Growth Strategies	Expanding earnings from core products	Accelerating growth in scale of high-value-added products	Creating new products and new businesses

Action Plan for Operational Divisions under "ALL TOA 2013"

Commodity Chemicals

Ensuring reliable earnings from electrolysis operations at three sites (Tsurumi, Nagoya, and Tokushima)

- Further integration between Tsurumi Soda and Toagosei's electrolysis operations
- Expansion of high-purity, highly functional product business
- Aggressive development of strategic product operations
- Strengthening of industrial gas operational base

Acrylic Products

Raising profitability of acrylic monomers to develop business into one the Group's core domains

- Establishing acrylic ester operations on permanent profit-making basis through radical action
- Expanding operational scale, with strong earning capability both upstream and downstream
- Achieving improved cost-competitiveness through use of cutting-edge technology, leading to improved earnings and growth

Performance Targets

	2010 Results (consolidated)	2013 Targets (consolidated)
Sales	¥153.7 billion	¥200.0 billion
Operating income	¥21.2 billion	¥25.0 billion
Operating income margin	13.8%	12.5%
Net income	¥13.1 billion	¥15.0 billion
EPS	¥52	¥60

Financial indicators	2010 Results	2013 Targets
Ordinary income margin (ordinary income as % of total assets)	12.5%	12% or more
R&D cost ratio (R&D costs as % of sales)	3.0%	Around 4%

The principal targets are sales of ¥200 billion, operating income of ¥25 billion, and an operating income margin of 12.5%. We are considering making a total investment of approximately ¥100 billion over the three-year period, including new investments to realize our growth strategies.

Operating income
¥21.2 billion

"ALL TOA 2010" (2008–2010)

- Strengthened high-value-added product operations
- Strengthened core businesses
- Invested in new businesses
- Promoted integration of affiliated companies

Management Policies | Nurturing and utilizing human resources | Strengthening collaboration | Increasing CSR efforts

Specialty Chemicals

Achieving steady earnings expansion in household-use instant adhesives business, and expansion of business scale in high-value-added products

- Increasing earnings and raising profitability in Chinese market by strengthening brand power of household-use instant adhesives
- Expanding industrial-use adhesives business through aggressive marketing of new applications, and effective R&D activity
- Radical rethinking of business strategy in construction materials field
- Expanding scale of sales of high-profitability products such as semiconductor materials and inorganic functional materials
- Expanding earnings from sale of raw materials used in electrolyte for lithium ion batteries

Plastics

Maintaining earnings level of pipes and couplings business, and expanding nursing care products business

- Raising profitability of the pipes and couplings business through radical restructuring
- Strengthening brand power in field of nursing care products, and expanding total business scale through new product development
- Expanding downstream operations by combining Toagosei's management resources with Aronkasei's proprietary technology

Operating income
¥40.0 billion

Our Corporate Vision for 2020

By 2020 we aim to become a high-profile chemicals group boasting sales of over ¥300.0 billion and operating income of over ¥40.0 billion per annum on a consolidated basis.

Operating income
¥25.0 billion

"ALL TOA 2013" (2011–2013)

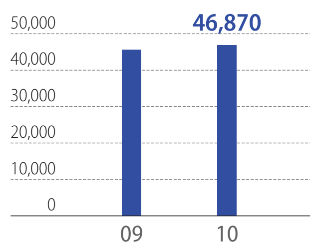
To realize our targets under "ALL TOA 2013," we will mobilize the collective expertise of all Group employees, and strengthen fruitful collaboration both among Group members and with external partners.

Caustic soda is used in papermaking

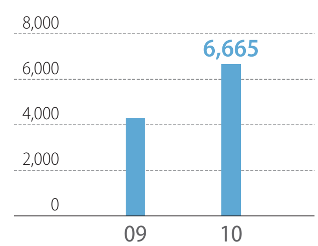
Commodity Chemicals

Shinichi Sugiura
Executive Officer
General Manager
Commodity Chemicals Department

Net sales
(Millions of yen)



Operating income
(Millions of yen)



Goals for the New Medium-term Management Plan (2011–2013)

Securing stable sales and profit at our three business bases (Tsurumi, Nagoya and Tokushima)

The Toagosei Group's commodity chemicals business comprises chlor-alkali and sulfuric acid products, high-purity, highly-functional products, and industrial gases. Under the new medium-term management plan, we have set ourselves the target of aggressively developing and expanding the high-purity, highly-functional products business as a new profit generator, while ensuring stable performance in the other more mature, established businesses, chlor-alkali and sulfuric acid products and industrial gases.

Promoting high-purity, highly-functional products

The main target for commodity chemicals in the new medium-term management plan is aggressive expansion of the high-purity, highly-functional product business. To this end, we are further integrating management of this business with Tsurumi Soda Co., Ltd.

Tsurumi Soda has long operated one part of the Toagosei Group's commodity chemicals business, and has played a central role in promotion of high-purity, highly-functional products in particular. In April 2011, it will be upgraded into one of the Toagosei Group's production companies, and its management, R&D and marketing departments will be centralized and operated under the Toagosei Group's commodity chemicals business. In addition to strengthening the fundamentals of the chlor-alkali business, this move will spur more rapid development of new products and demand, by enabling collaboration among R&D departments within the Toagosei Group in the high-purity, highly-functional product business.

We aim to create a high-profit platform by aggressively building our high-purity, highly-functional products business into a future pillar of the commodity chemicals business of the Toagosei Group. Specific measures include quality advances in high-purity anhydrous hydrogen chloride for semiconductor manufacturing, and management efficiency gains at the Tsurumi and Tokushima plants. Further impetus will come from accelerated development of high-purity, highly-functional agents for electronics materials, and the marketing of new high-purity products such as electrolyte grade sulfuric acids.

Proactive development of strategic products

In the mature chlor-alkali business, too, we can distinguish ourselves from rival manufacturers through unique strengths. We have production bases for each of Japan's three major economic centers: Tsurumi Soda serves the Kanto (Tokyo) area, the Tokushima Plant on Shikoku covers the Kansai (Osaka) area, while the Nagoya Plant serves Chubu, Japan's third-largest urban conglomeration. These bases will raise our profile as a reliable electrolysis-industry supplier of chlor-alkali products that supports the industrial bases of all regions of Japan. In addition, we will leverage other proprietary strengths: our gas-dispersion electrolysis technologies for energy-saving processes, our leadership in production capacity in Japan for synthetic hydrochloric acid, and our special-grade water purification chemicals such as sodium hypochlorite.

Meanwhile, responding to concerns over treatment of ballast water from oceangoing vessels following a global toughening of restrictions in this area, Toagosei has partnered with JFE Engineering Corporation to develop ballast water treatment agents and systems. We plan to begin supplying proprietary treatment agents to global markets.

Strengthening the fundamentals of the industrial gas business

We aim to become the most profitable industrial gas supplier in the Chubu (Nagoya) region, by creating a more efficient business model and stepping up marketing. Looking ahead, we are also considering further upgrading our state-of-the-art industrial gas production facilities.

Main Products and Application

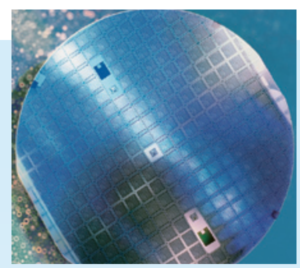
Caustic soda
Chemical fibers, pulp, and pharmaceuticals

Sulfuric acid
Fertilizers, synthetic fibers, and inorganic chemicals

Hydrochloric acid
Seasoning, dye, and pharmaceuticals

Oxygen
Combustion enhancing gas for welding and cutting, combustion enhancing gas for steel making process, oxygen inhalation (and high pressure oxygen treatment) for medical use, oxygen aeration for wastewater treatment, oxygen-based pulp bleaching, and fermentation in biotechnology


Caustic soda is used in producing soap


Pure inorganic chemicals are used in manufacturing silicon wafer


Salt is used in making caustic soda and chlorine

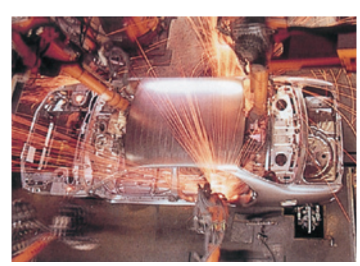
Consolidated Subsidiaries

Tsurumi Soda Co., Ltd.
Manufacture & sale of caustic soda and chloride including high purity chloralkali products

Toagosei Korea Co., Ltd.
Sale of high purity chloralkali products

Toa Techno-Gas Co., Ltd.
Manufacture & sale of industrial gases


Tsurumi Soda Co., Ltd. plant


Welding process employing shield gas made by Toa Techno-Gas Co., Ltd.

Acrylic ester is one of the raw materials used in the manufacture of chemical fibers

Overview by Business Segment

Acrylic Products

Kazuaki Nakagawa
Executive Officer
General Manager
Acrylic Products Department

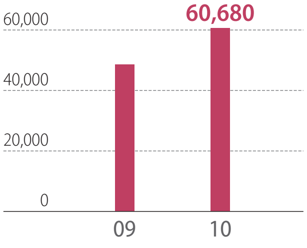
Goals for the New Medium-term Management Plan (2011–2013)

Strengthening the acrylic chain business, to upgrade and expand downstream operations

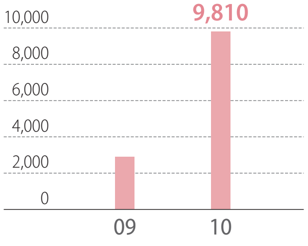
In 2010, Toagosei Co., Ltd.'s Acrylic Products Department restructured and relaunched itself. The Construction Products Group has been spun off, and the *Aronix* group (UV-curable resins: acrylic products with special monomers and oligomers) has been integrated. By strengthening production across the whole acrylic chain from monomers (acrylic acids and acrylic esters) to acrylic polymers and *Aronix*, the goal is to further expand the acrylic products business. We intend not only to develop new products and manufacturing technologies, but also to create business models in new fields. Aggressive investments are earmarked for this area.

In the monomer business, we are reviewing and overhauling existing business development models from the ground up, to further underpin our acrylic chain operations and to ensure steady profit flows. We are carrying out a far-reaching buildup of our businesses in the Asian region, adopting a strategy of selection and focus for the polymer business. In the *Aronix* business, in light of steadily growing demand in China and other Asian countries, we are creating technologies for new approaches to expansion of core marketing networks and to further boosting of profitability. Another focus is the electronics materials field, where new applications are increasing. There, we are building up the flat panel display business as a pillar of next-generation growth after the acrylic products segment. Given that *Aronix* already has the top share of the Asian market for UV-curable resins, we are considering further ramping up of production capacity in anticipation of further market growth.

Net sales
(Millions of yen)



Operating income
(Millions of yen)



Polymer flocculants, *Aronfloc*

Aronix is used for surface coating on mobile phones

Acrylic ester is one of the raw materials used in the manufacture of adhesives

Main Products and Application

Acrylic esters
Acrylic fibers, fiber processors, paints, pressure sensitive and other adhesives, leather processors, paper processors, and acrylic rubber

Acrylic polymers
Binders, thickeners, dispersants, adhesives and paint vehicles

Polymer flocculants
Treatment of various kinds of wastewater and dehydration of sludges

Special monomers and oligomers (UV-curable resin)
Raw material for paints, printing inks, coatings, and adhesives

Challenges in 2011 and Our Responses

Launch of measures to clear the way for reinforcement of our business base

In our monomer operations, we have already begun a ground-up review of our conventional business models. By creating new paradigms for production, marketing and technology development, we aim to ensure optimized and stable profit flows while developing our business to maximally leverage the acrylic chain. In the polymer business, we have embarked on full-scale marketing of competitive polymer products in the Asian region, beginning with the launch of water-soluble polymers manufactured at our Singapore Plant (Toagosei Singapore Pte Ltd.), which was upgraded in 2010. At the same time, we are improving productivity at the Nagoya Plant and Nihon Junyaku Co., Ltd., while expanding the flocculant business at MT AquaPolymer, Inc. In the *Aronix* business, we are leveraging the strengths of our three production bases in Asia, the Nagoya Plant, TOA-DIC Zhangjiagang Chemical Co., Ltd. in China and TOA-JET Chemical Co., Ltd. in Taiwan. Our priority is developing the Asian market by ensuring delivery of grades tailored to local needs and stable supply capability. At the same time, we are taking measures to prepare for intensified competition, by rationalizing production and optimizing raw material procurement.

Principal Consolidated Subsidiaries

Oita Chemical Co., Ltd.
Manufacture of acrylic acid

Nihon Junyaku Co., Ltd.
Manufacture of acrylic polymers

Toagosei Singapore Pte Ltd.
Manufacture & sale of acrylic ester

MT AquaPolymer, Inc.
Manufacture & sale of polymer flocculants

TOA-DIC Zhangjiagang Chemical Co., Ltd.
Manufacture & sale of acrylic monomers and oligomers

Taiwan Toagosei Co., Ltd.
Sale of acrylic monomers and oligomers

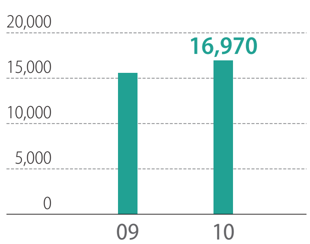
Water-soluble polymer manufacturing plant at Toagosei Singapore Pte Ltd.

MT AquaPolymer, Inc. web site

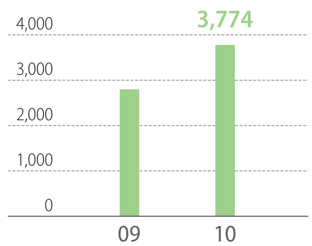
Specialty Chemicals

Hot melt adhesive *Aron Melt PPET®*

Net sales
(Millions of yen)



Operating income
(Millions of yen)



Functional Chemicals

Hidemi Nagano
Executive Officer
General Manager
Functional Chemicals Department

Goals for the New Medium-term Management Plan (2011–2013)

In adhesives, focal areas are strengthening the *Aron Alpha* brand and development of high value-added products for the automotive and electronics materials sectors

In household-use instant adhesives, we are stepping up promotional activities to bolster the *Aron Alpha* brand. We also aim to push out the boundaries of the adhesives market through ongoing launches of products with previously unavailable functionality. We aim to increase our share in overseas markets by making efficient use of production bases in the United States and China, and by strengthening localized product development and promotion.

In industrial adhesives, we will continue to develop products for the automobile parts and electronics material sectors, focusing on hot melt and reactive products. A further boost to competitiveness will come from reorganization of production systems at the Takaoka Plant, our principal adhesives plant. At the same time, by leveraging synergies following conversion of Aron Ever-Grip Ltd. into a wholly owned production subsidiary, we are broadening the scope and speeding up the pace of product development. By advancing our adhesive processing operations in this way, we aim to transform this into a high value-added business in the near future.

In construction materials, we are helping to lengthen building life through expanded marketing of *Aron Wall NEO*, *Clear Wall* and *Aron Coat SQ* products for the building renovation market.

Aron Wall NEO is a new waterproof exterior wall coating, which shortens project durations and lowers costs while ensuring the same level of performance as comparable conventional products. *Clear Wall*, a method of repairing exterior walls finished with tiles (a feature of very many Japanese buildings), and *Aron Coat SQ* (rooftop membrane waterproofing method), are offered by Toagosei as an integrated maintenance solution for both roofs and exterior walls. We will expand marketing of these products mainly for large-scale renovation works on condominium buildings.

In addition, we plan to strengthen our partnership with Zen-aron Bosui Kumiai (All-Aron waterproofing association), a grouping of specialist contractors.

Main Products and Application

Cyanoacrylate instant adhesives
For bonding rubber, plastic, metal, and wood in industrial and consumer uses

Heat-resistant adhesives
For bonding metal and ceramics used in high-temperature environments

Hot melt adhesives
For bonding plastics, metals, and textiles
For bonding difficult-to-bond plastics like polyethylene, polypropylene polyester, and nylon

Construction materials
Waterproofing materials for roofs, waterproofing exterior wall coatings

Instant *Krazy Glue*

Aron Alpha


Crystal Wall


Waterproof exterior wall coating, *Aron Wall*

Principal Consolidated Subsidiaries

Toagosei America Inc.
Manufacture & sale of adhesives; technological research

Elmer's & Toagosei Co.
Sale of adhesives

Toagosei (Zhuhai) Limited
Manufacture & sale of adhesives

Toagosei Hong Kong Limited
Sale of adhesives


Toagosei America Inc.


Toagosei (Zhuhai) Limited

Challenges in 2011 and Our Responses

In adhesives, increase *Aron Alpha* sales volumes, strengthen the operating base and develop new products

In November 2011, *Aron Alpha*, long a popular household-use instant adhesive brand in Japan, will commemorate the 40th anniversary of its launch. To mark the occasion, we plan to market a new type of *Aron Alpha* instant adhesive that is an amalgamation of our glue technologies, and, during promotional activities, give the *Aron Alpha* brand a further boost. In overseas markets, too, we aim to increase sales on the back of effective promotional activities through a string of new product launches in the United States and China.

In industrial adhesives, our goals are improving price competitiveness and developing highly functional products. We plan to further step up our competitiveness in the adhesives business by integrating and reinforcing facilities at the cornerstone Takaoka Plant. In particular, we are positioning ourselves to better meet demand from cell-phone and other fast-growing mobile device manufacturers. In new products, priority markets are the automotive and electronics material sectors. We plan to leverage our special strengths in our product development, and also get more involved in downstream processing.

In construction materials, expand *Aron Wall NEO* and *Clear Wall* sales

Our *Clear Wall* method for repairing exterior walls finished with tiles was launched in 2008, and it has now been used to treat over 140,000 square meters of wall. Amendments of the Building Standard Law and related periodic inspection reporting requirements in 2008 have drawn public attention to the maintenance and management of tiled exterior wall finishes. We will continue to expand *Clear Wall* sales by highlighting its ability to keep tiles firmly in place over time.

Aron Wall NEO will expand the market for *Aron Wall* products, available now for over 40 years, by offering the same quality at still more attractive prices.

We aim to further publicize the ability of our waterproofing products to prolong building life by publishing a follow-up volume to a popular book about condominium renovation advertised in the widely-read monthly magazine *Bungei Shunju*, and by exhibiting at the 17th Architecture + Construction Materials exhibition (2011).

Specialty Chemicals

Novaron is a high-performance antimicrobial agent employed in the molding of a wide range of plastic products for everyday use

Kiyoshi Miyazaki
Executive Officer
General Manager
Advanced Chemicals Department

Advanced Chemicals

Goals for the New Medium-term Management Plan (2011–2013)

Brand penetration for amenity-application materials and development of electronics materials focusing on key customers

In the new medium-term management plan, the Amenity Care Materials Group aims to become the leading manufacturer of amenity-application materials in East Asia, with universal brand penetration in the region. It will expand this business under the concept of "providing people with a more comfortable living space."

Regarding *IXE* ion-trapping agents for adhesives for IC encapsulating material and flexible printed boards, we plan to expand sales in Japan of established products while opening up the East Asian market. The *IXE* business is earmarked for further major expansion, with development of next-generation products for LED encapsulating material and electronics materials applications. In the antimicrobial field, our goal is to become sector leader in Japan through nationwide development of the *Novaron* brand of silver-based inorganic antimicrobial agents used in interior goods such as textiles, daily items, home electrical appliances and wallpaper. Sales drives for antimicrobial agents are also planned for China, South Korea and Taiwan. We will develop new applications and expand sales in Japan for the inorganic deodorant *Kesmon* and *Cavinon* inorganic hybrid anti-fungal agent, both likewise used in daily items, home electrical appliances and other interior goods.

Another focus is expanding sales of the special powdered paint *Aron Powder* to automakers for use in windscreen wipers. In new business developments, we will position the anti-allergen agent *AlleRemove* and the low-thermal expansion filler *Ultea* and other new products firmly in their respective markets and boost sales growth. At the same time, the priority in R&D is identification and development of major new products to serve as our next generation of growth drivers.

The electronics materials group is exploring and commercializing new product ideas in close partnership with key customers and equipment manufacturers.

Meanwhile, we are strengthening our cost competitiveness in high purity hexachlorodisilane (HCD®) deposition materials for semiconductor insulating films and broadening our lineup of HCD® and derivatives. We have designated this as a priority product group and aim to remain the leading manufacturer of HCD® in the world. In ethylene carbonate (EC), likewise, our goal is to retain top share of the Japanese market, through a close partnership with Mitsui Chemicals, Inc. (as supplier of manufacturing and procurement services). EC is one of the main materials for electrolytes used in lithium-ion secondary batteries for electric cars, personal computers and cell phones. We are also strongly committed to the market for the SQ series of silsesquioxane compounds used in hard coating materials, and plan to move soon to the mass production stage.

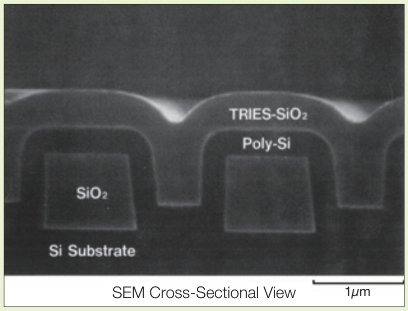
Main Products and Application

Silver-based antimicrobial agents
For kitchen and bathroom equipment, building materials, and textiles

Hexachlorodisilane (HCD®)
For silicon nitride films used in semiconductors

Organic and inorganic hybrid agents
Antiallergic agents and insect processing repellents

TRIES is a raw material used in forming silicon oxide films in semiconductor / LCD production



High purity *TRIES*

Silver-based inorganic antimicrobial agent *Novaron* is used in masks

Antiallergic agents *AlleRemove*®

Consolidated Subsidiary

MT Ethylene Carbonate Co., Ltd.
Manufacture of ethylene carbonate

Ethylene carbonate (EC) is a key raw material for electrolytes used in lithium-ion secondary batteries

Challenges in 2011 and Our Responses

Increasing production capacity and improving quality to meet rising demand

Issues facing the Company in 2011 and our responses are as follows:
2011 has been designated as the year in which the groundwork is laid for improving earnings at Toagosei, through upgrades to production facilities.

First, we plan to increase production capacity for EC to meet a dramatic increase in demand. Better quality will translate into stronger earnings capability in this business. Through our joint venture with Mitsui Chemicals, we plan to build new production facilities in Osaka, and will additionally launch high-purity EC products using new refining facilities at our Nagoya Plant.

We are likewise steadily upgrading production facilities for *IXE*, *Novaron*, *Cavinon* and HCD® products, to ensure adequate capacity to meet growth in volume demand for each of these product groups. Currently under discussion are ways of increasing efficiency across-the-board, including ironing out problems at established but underperforming facilities (rather than simply building new lines), and stepping up our ability to produce multiple new products through sharing of resources.

All of these projects are earmarked for early completion and commercialization.

Overview by Business Segment

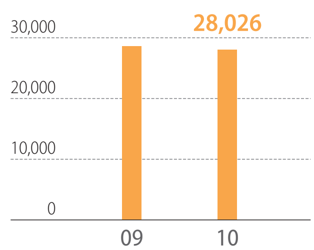
Plastics


Bath chair for nursing care

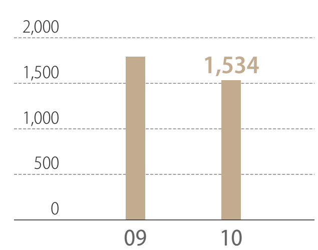

Safety handrails

Akira Yada
President
Aronkasei Co., Ltd.

Net sales
(Millions of yen)



Operating income
(Millions of yen)



Goals for the New Medium-term Management Plan (2011–2013)

Aronkasei's new business plan

In 2011, Aronkasei Co., Ltd. compiled a new medium-term management plan, for the three years ending in fiscal 2013. In the plan, Aronkasei aims to continue growing as a company that the community and the household can take pride in. It aims to create safe and worry-free products that fully satisfy customers, and develop into a proposal-based supplier of resin-molded products and molding materials supported by *monozukuri* (excellence in manufacturing) standards that other companies cannot match. To achieve this goal, it is reestablishing its *monozukuri* and marketing capabilities and shifting to more dynamic production and personnel systems.

The four priority fields in the new plan are products for use in water supply and sewer systems, nursing care products, highly functional elastomer products, and products for use in environmental preservation systems. Corporate resources will be concentrated on these areas. In the field of products for use in water supply and sewer systems, we aim to generate steady earnings by moving away from public sewage works and into the household water supply business. Meanwhile, we aim to become a comprehensive manufacturer of nursing care products, by entering new fields such as medical treatment, rehabilitation and illness prevention. In the field of highly functional elastomer products, the goal is to enter new markets for molded parts, with product development focused on medical and electronics materials applications. In environmental preservation systems, our goal is to establish resin-molding technologies for recycling and develop new products.

The Aronkasei group will optimize its business model, by drawing on the group strength of Toagosei to position itself for new business creation and new product development. At the same time, it will continue with the reorganization of Aronkasei group company Mikuni Plastics Co., Ltd.

Through such policies under the new plan, Aronkasei aims to increase sales to ¥32.2 billion and operating income to ¥3.3 billion by 2013.

Main Products and Application

Pipes & couplings

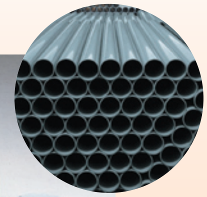
Rigid PVC pipes

Environmental products

Trash receptacles

Nursing care products

Portable toilets, nursing care bath products and others



PVC small-diameter chambers, manholes, and rigid PVC pipes

Recycled plastic car stop barrier

Challenges in 2011 and Our Responses

Laying the foundations for next-generation growth

Aronkasei sees 2011 as a year of continuation of the reforms launched in 2010. It will create a platform for creating a new generation of products, and use this first year of the medium-term management plan to lay the groundwork for attainment of plan goals. Specific measures are as follows.

(1) Strengthening *monozukuri* manufacturing

Aronkasei is setting up a *Monozukuri Center*, where it plans to centralize research, development and intellectual property departments currently scattered around Japan. This will enable it to pool the know-how of each department and strengthen best-practice manufacturing capabilities.

(2) Streamlining and strengthening business operations

Aronkasei is considering establishing an order processing center, to centralize processing currently carried out separately at each branch and sales office, as part of moves to streamline and reinforce business operations.

(3) More efficient production and logistics systems

Aronkasei is revamping the layout of all facilities at the Nagoya Plant, its main manufacturing base, to eliminate waste at all stages in the manufacturing, storage and shipment processes, to raise efficiency in production and logistics.

(4) Early relaunch of Mikuni Plastics as a player

In 2010, all business premises of Mikuni Plastics, a member of the Aronkasei group, were integrated into Aronkasei's bases. In 2011, Aronkasei plans to create joint development, production and logistics systems, enabling Mikuni Plastics to get back into the black and reinvigorate itself as a business.

This year will be a milestone. By resolutely implementing the above policies, Aronkasei will lay the groundwork for achieving the goals of the new medium-term management plan and relaunching itself onto a growth trajectory.

Consolidated Subsidiaries

Aronkasei Co., Ltd.

Manufacture & sale of synthetic resin molded products

Mikuni Plastics Co., Ltd.

Manufacture & sale of synthetic resin molded products

Aronkasei Co., Ltd. Nagoya plant

Aronkasei Co., Ltd. web site

Research & Development

Changing the focus from providing facilities to reforming management

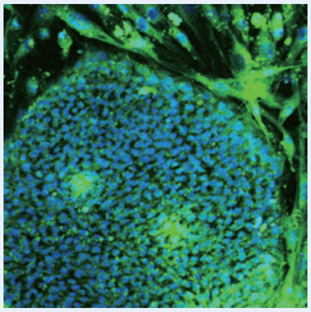
Reforming management to realize a new vision for Toagosei

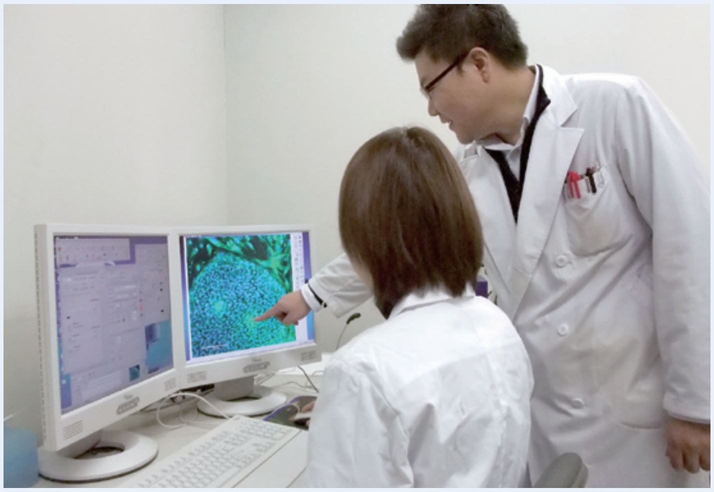
The Toagosei Group aims to continually develop distinctive, highly-functional products while also creating new products and businesses to support sustainable growth as a value-creating, highly profitable corporate group. Research and development are the starting point in this endeavor, and form the vanguard of Group activities. At Toagosei, their hub is the General Center of R&D, completed in the autumn of 2010. The layout of the Center is geared to the functions of each particular laboratory, and also to facilitating discussion and exchange of views among researchers.

In addition to making best use of the facilities and equipment at the General Center of R&D, we are planning to reform R&D management in the new medium-term management plan beginning in 2011, aiming at "continuous launching of new products," our Group vision for 2020. As stated our slogan "further growth through collaborative expertise," the new plan calls for individual researchers to exchange ideas and for cooperation between our two research arms, the operations management division and the corporate management division, as well as alliances among different offices of the operations management division. In the corporate management division, the goal is to refine and strengthen basic analytical, evaluation and synthesis technologies, and rapidly establish key technologies necessary for various kinds of development, to feed into the operations management division. In addition, we are strengthening alliances between departments and accelerating the pace of R&D. With regard to research topics, we are also aiming to improve our planning and project-proposal capabilities. As a result of these initiatives, we expect to create new products, increase earnings from established core products, and develop our high-value-added product operations into highly profitable businesses.

General Center of R&D

View through confocal laser microscope of human iPS cell into which cell-penetrating peptide (under development) has been transduced





In the laboratory

Launch of management reform: Four key points

2011 is the first year of our rethink of approaches to R&D. In that connection, we have compiled a four-point basic policy for Groupwide R&D activities.

(1) Encourage collaboration within Toagosei and beyond: We will form internal (at both Company and Group level) collaborative arrangements between the corporate management division and the operations management division, and also with external research institutes.

(2) Achieve steady progress in each R&D field: We have separated research themes into development that feeds directly into new product creation, and research to establish necessary key technologies for all kinds of product development. In the former category, the priority is on rigorous schedule management, while in the latter, we will study and tackle the challenge of complex and difficult-to-realize technologies.

(3) Explore and propose new themes: By collating seed technologies and studying needs across the Company, we are creating a useful mechanism for collaboration and cooperation for proposal of new themes across departmental boundaries.

(4) Train and deploy research talent: We will establish a 10-year plan for training and optimally deploying R&D talent, and operate R&D training programs to give a strong R&D grounding to not only young and mid-career employees but also future Company leaders.

We expect establishment of the General Center of R&D to spur a change in employee mindsets regarding R&D. In 2011, we will launch a new phase of development of high-value-added products in areas such as adhesives, UV-curable resins and other core products, as well as semiconductor materials and high-purity inorganic chemicals.

Corporate Social Responsibility

Toagosei aims to maintain the public's trust through the fulfillment of its social responsibilities as a chemical manufacturer, and achieve sustainable growth as a Group

The corporate ethical stance of the Toagosei Group is encapsulated in our slogan: "Sharing more happiness with more people through the chemical business." In line with the spirit of this slogan, we carry out CSR activities on a comprehensive Group-wide basis.

Toagosei Group has established the Group CSR Committee, of which each Group company is a member. The committee is responsible for ensuring the Group-wide implementation of CSR activities.

Management focused on the interests of stakeholders

At Toagosei, we pursue our business operations with a strong emphasis on relationships with our customers, shareholders, employees, the communities in which we operate, and all other stakeholders. In all aspects of business we aim to realize an optimal balance between profitability, social contribution, and protection of the environment.

Rigorous compliance

We have established an in-house system to ensure a continued focus on compliance, and are conducting compliance educational programs.

- The reviewing and revision of the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards
- Monitoring by the Compliance Committee
- Installation of the whistleblower hotline systems for reporting suspected instances of illegal or unethical conduct
- Drawing up guidelines for the protection of confidential personal information

Systems for internal control and corporate governance

Toagosei has created effective systems for internal control and corporate governance to enable fast and precise response to dramatic changes in the business environment, and to ensure fair and transparent management. Measures taken thus far include the following.

- Introduction of executive officer system
- Participation in the management of outside directors
- Dedicated section for internal controls

Responsible Care Activities

We undertake continuous improvement activities toward our primary goal of preventing accidents.

We take measures to eliminate accidents resulting from human error, and we have contingency plans in place to minimize injury and damage in the event of an accident. Disaster management training is carried out on a regular basis.

As a central element in its Responsible Care policies, the Toagosei Group is committed to working to ensure the safety of its products, as well as workforce safety and hygiene, and to reducing the impact on the environment of these products and their manufacturing processes at all stages from development through use to final disposal. By these means, the Group aims to maintain its reputation for trustworthiness among both its customers and society at large.

A Toagosei in-house fire-fighting team conducts a drill

Conducting a drill

Gradual lowering of environmental burden

Prevention of global warming

We are switching to low-emission fuels and installing energy-efficient equipment as we pursue our goal of reducing CO_2 emissions.

Reduction of industrial waste

We have set targets for the "3Rs" (reduce, reuse and recycle) waste management strategy. Our goal is zero landfill for the whole Group.

Reduction of emissions of substances harmful to the environment

We are working to reduce volumes of emissions of substances subject to Pollutant Release and Transfer Register (PRTR) assessment by Japan Chemical Industry Association.

Waste liquid and exhaust gas incineration equipment at our Takaoka Plant

Desulfurization facilities attached to boilers at our Tokushima Plant

Social Contribution Activities

Development of earth and human-friendly technologies and products

Development of an anti-allergen agent *AlleRemove*® ZTP-170

We have succeeded in deactivating allergenic substances through the combined effect of organic and inorganic constituents, thereby contributing to the realization of more pleasant living environments.

Development of new electrolysis method using gas diffusion electrodes

We are developing a new method of producing caustic soda that reduces electric power use by one-third.

Sodium hypochlorite with low sodium chloride content (low bromate type) *Aron Clean* LB10

Development of a sodium hypochlorite with a substantially reduced bromic acid content, thereby contributing to the provision of safer and cleaner tap water.

AlleRemove® ZTP-170

Negative electrode used in gas diffusion process

Contributions to society

In addition to systemic efforts to contribute to the welfare and happiness of the wider society of which we are part, the Company also works through the Social Contribution Committee, which draws its members from across all management and employees categories and collaborates with the labor unions.

Factory visit to Takaoka Plant

Afforestation activities at Mt. Takamaruyama in Tokushima Prefecture (Tokushima Plant)

Board of Directors and Corporate Auditors

Mikishi Takamura | Souichi Nomura | Akio Arisawa | Akihiko Yamadera | Futoshi Hashimoto | Katsutoshi Yamada | Ken Ozeki | Eiichi Takizawa

Chairman

Akihiko Yamadera

President

Futoshi Hashimoto

Directors

Akio Arisawa
Katsutoshi Yamada
Souichi Nomura
Ken Ozeki
Mikishi Takamura
Eiichi Takizawa*

* Outside Director

Corporate Auditors

Kunio Sato
(Standing)
Shou Sato**
Nobuo Hataya
Ryoji Miura**

** Outside Corporate Auditor

Senior Executive Officers

Shinichiro Otani
Souji Hattori

Executive Officers

Kiyoshi Miyazaki
Shouji Kawamura
Kazuo Kiyota
Kazuaki Nakagawa
Akira Komine
Takao Takemoto
Akira Kuriyama
Nobuhiro Ishikawa
Shinichi Sugiura
Hideo Kato
Toshio Okuyama
Tatsumi Nonaka
Hidemi Nagano
Tomio Kanbayashi
Hisashi Hara

(As of March 30, 2011)

Financial Section

Five-Year Selected Data

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31

	Millions of yen (except per-share data)				
	2010	2009	2008	2007	2006
For the fiscal year:					
Net sales	**¥153,779**	¥140,033	¥162,615	¥162,729	¥155,804
Income before income taxes and minority interests	**17,917**	7,205	6,869	13,295	13,522
Net income	**13,133**	3,541	1,895	6,403	6,961
Per-share data:					
Per share of common stock:					
Net income	**52.05**	13.85	7.27	24.52	26.64
Cash dividends applicable to the year	**9.00**	6.00	8.00	8.00	7.50
At year-end:					
Total assets	**173,847**	161,609	172,464	182,681	195,607
Net worth (Note)	**110,283**	99,449	99,271	105,339	103,870
Number of employees	**2,533**	2,561	2,617	2,552	2,573

Note: Net worth refers to the amount of net assets after deduction of minority interests.

Contents

Management's Discussion & Analysis

Overview of Fiscal 2010

During the reporting term (January 1 to December 31, 2010), the Japanese economy flatlined overall. In the first half, the economy showed signs of recovery momentum supported by economic growth in China and other emerging countries. In the second half, despite fears of economic backsliding as the strong yen eroded exports, performance remained stable due to the effect of government stimulus measures.

Business conditions in the chemical industry were buoyant overall. Despite a reduction in demand from some electronics materials manufacturers on inventory adjustment in the second half, demand from the Asian countries in particular increased, and raw material and fuel prices remained relatively stable.

Under these circumstances, the Group took aggressive measures to grow earnings, by boosting marketing in Asia, pressing on with cost-cutting, and streamlining manufacturing and marketing operations within the Group. In addition, to further lift profitability from fiscal 2011, we have decided to increase capex, for new facilities for high-purity sulfuric acid, expansion of lines for intermediate raw materials for feed additives and establishment of a manufacturing subsidiary for materials for electrolytes used in lithium-ion batteries. At the same time, we overhauled research organizational structures to accelerate innovation of new products and businesses, and set up our General Center of R&D.

Sales in the reporting period increased 9.8% year on year on a consolidated basis to ¥153,779 million (US$1,887 million), on increased Acrylic Products sales.

Turning to earnings, operating income increased 90.6% year on year to ¥21,271 million (US$261 million). Key factors were product price rises in response to buoyant demand in Asia for acrylic esters, amendments to prices in line with rising raw material and fuel prices, our withdrawal from unprofitable businesses, and measures to reduce fixed costs and improve operational efficiency. Net income jumped 270.9% to ¥13,133 million (US$161 million) due to a decrease in income taxes deferred because part of the allowance for doubtful receivables was recorded as deferred tax assets. Both operating and net income hit record highs.

Sales by Segment

Commodity Chemicals

Despite strong shipments of caustic soda and inorganic chlorides, sales declined slightly due to a dip in prices as supplies became plentiful from the second half of the period.

Copper products sales increased steeply due to increased demand and rising copper prices.

Sales of liquefied hydrogen chloride also grew strongly, supported by buoyant demand from manufacturers of electronics materials. Sales also increased for industrial gases, as shipments rose in line with recovery in demand.

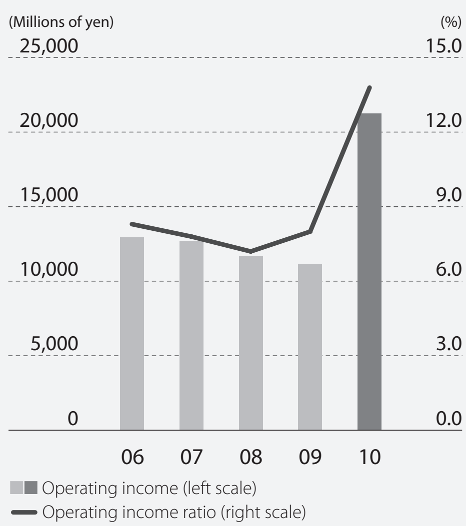
As a result of the foregoing, sales in this segment increased 2.7% year on year to ¥46,870 million, and operating income grew 55.6% year on year to ¥6,665 million.

Acrylic Products

Sales of acrylic esters rose significantly due to high product prices in overseas markets.

Sales of acrylic polymers and polymer flocculants likewise increased significantly on strong shipments.

Operating income & ratio as a percentage of net sales



Net income per share

Strong shipments drove up sales of *Aronix* UV-curable resins on a full-year basis, despite a decline in demand from some manufacturers of electronics materials from the beginning of autumn.

As a result of the foregoing, total sales in the Acrylic Products segment increased 24.6% year on year to ¥60,680 million, and operating income grew 236.5% to ¥9,810 million.

Specialty Chemicals

Sales of adhesives grew strongly on steady shipments of industrial adhesives for customers in the electronics materials and automotive sectors.

Sales of products for construction and civil engineering grew strongly due to buoyant shipments mainly for building reinforcement works.

Sales of products developed in-house grew significantly owing to increased demand for high-purity silicon gases from manufacturers of electronics materials as a result of active marketing initiatives, combined with increased sales of the silver-based inorganic antimicrobial agent *Novaron* in Japanese and overseas markets.

As a result, total sales for the segment increased 8.7% year on year to ¥16,970 million, and operating income increased 34.9% year on year to ¥3,774 million.

Plastics

Shipments of plastic products for the nursing-care and welfare sectors and of elastomer compounds were firm, but this was not enough to offset a major decline in shipments of pipes and couplings due to a scaling down of public-works projects.

As a result, sales in this segment declined 2.0% year on year to ¥28,026 million, while operating income fell 14.4% to ¥1,534 million.

Other Businesses

Sales for this segment, which comprises new product development operations, the construction and repair of plants and production facilities, and goods transportation services, posted a 17.8% year-on-year decline to ¥1,231 million. The segment booked an operating loss of ¥489 million.

Cash Flows

Net cash provided by operating activities increased by ¥2,142 million year on year to ¥24,843 million. This is because a significant rise in income before income taxes and minority interests more than offset an increase in working capital.

Net cash used in investing activities increased by ¥3,981 million to ¥10,155 million, due to increased purchases of property, plant and equipment.

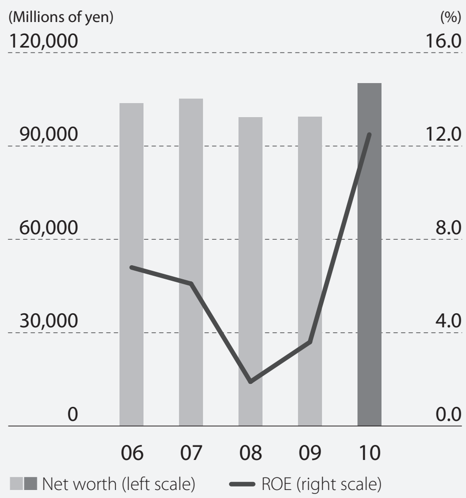
Net cash used in financing activities totaled ¥4,117 million, the major factors being cash dividends to shareholders and repayment of short-term bank loans.

As a result of the above, cash and cash equivalents at the reporting term-end stood at ¥22,689 million, an increase of ¥10,301 million from the previous term-end.

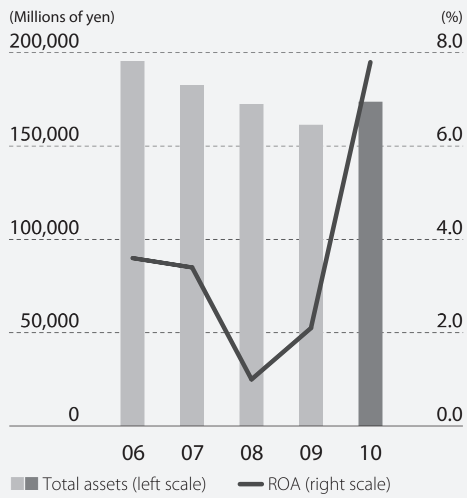
Business Performance Prospects for Fiscal 2011

For the current term, ending December 31, 2011, we forecast sales of ¥158.5 billion, operating income of ¥19.0 billion, and net income of ¥10.0 billion.

Net worth & ROE



Total assets & ROA



Cash Flow Prospects for Fiscal 2011

Net cash provided by operating activities is likely to be in the region of ¥19.0 billion.

Due to increased purchases of property, plant and equipment, we expect net cash used in investing activities to total ¥15.0 billion.

Net cash used in financing activities is expected to total ¥9.0 billion, due to increased purchases of treasury stock.

Basic Policy on Shareholder Returns and Dividends for Fiscal 2010 and 2011

Regarding shareholder returns, our basic policy is to pay stable dividends of 8 yen per share annually, taking into account the performance for the term in question, the future outlook, and forecast performance figures. However, we also place importance on ensuring a sufficient amount of retained earnings to maintain a sound financial position. We must secure sufficient funding to finance R&D activities and capital investment needed to prepare us for an expected intensification of competition.

For fiscal 2010, ended December 31, 2010, we made a term-end dividend payment of ¥5.50. We have already paid an interim dividend of ¥3.50, bringing the total payment for the full term to ¥9.00 per share.

For the current term, ending December 31, 2011, we are planning an interim dividend payment of ¥4.50, and a term-end payment of the same sum, for an annual dividend of ¥9.00 per share.

Business Risks

(1) Cost competition

The Group manufactures and sells many products that are difficult to differentiate from those of other companies in terms of their function and performance. Given the present trend of intensifying price competition, there is a possibility that the Group, despite its efforts to strengthen marketing activities and reduce costs, may not be able to maintain its competitive edge over rival companies that are able to sell products with the same qualities at lower prices. This could adversely affect the business performance and financial position of the Group.

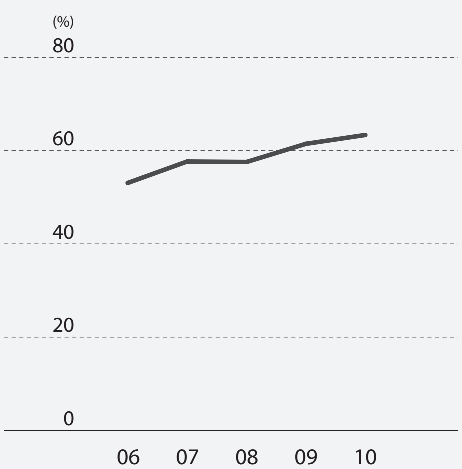
(2) Changes in the price of crude oil and naphtha

The purchase prices of the major raw materials of products manufactured and sold by the Group are affected by changes in crude oil and naphtha prices. Therefore, if the Group is unable to sufficiently raise its product prices, and/or if the Group is unable to rationalize its operations sufficiently to offset the rising prices of crude oil and naphtha, there is a possibility that the Group's business performance and financial position will be adversely affected.

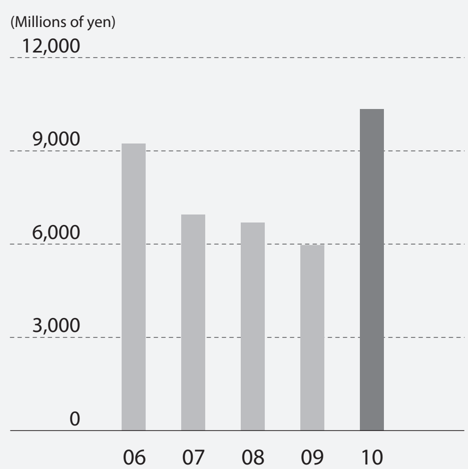
(3) Product liability

In spite of our efforts to ensure a high level of product quality, there is a possibility that a customer or other party may experience financial losses or other forms of damage as a result of an unexpected defect in products manufactured and sold by the Group. As not all losses incurred will be covered by product liability insurance, this factor may adversely affect the business performance and financial position of the Group.

Net worth ratio



Capital expenditures



(4) Impact of natural disasters

The production plants of the Group are located mostly in the Tokai Region of Japan, which is said to be particularly at risk of the occurrence of a major earthquake. If such an earthquake were to occur, substantial losses, including the suspension of operations, could result, and this would adversely affect the business performance and financial position of the Group.

Furthermore, in the event of delay in the resumption of normal operations at raw materials suppliers and customers located in the areas hit by the Great East Japan Earthquake of March 11, 2011, or at logistics networks and power suppliers, the Group could suffer from significant impact on its production, shipment and other business activities. This in turn could adversely affect the business performance and financial position of the Group.

(5) Major litigation

In the event of a major lawsuit being brought against the Group in the future, there is a possibility that this will adversely affect its business performance and financial position.

(6) Deferred tax assets

The deferred tax assets of the Group are based on an amount that is recorded after judging the potential for collection based on forecasts of future taxable income. If such forecasts deviate significantly from actual results, there is a possibility that this will adversely affect the business performance and financial position of the Group.

(7) Changes in foreign currency exchange rates

For the reporting period, overseas sales of the Group accounted for 18.6% of total sales. The Group includes seven overseas consolidated subsidiaries and one overseas affiliated company subject to the equity method. There is therefore a possibility of a change in exchange rates adversely affecting the business performance and financial position of the Group.

(8) Changes in interest rates

The Group is committed to further reducing interest-bearing debt, to improve the overall financial balance. However, there is a possibility that a change in interest rates will influence the business performance and financial position of the Group.

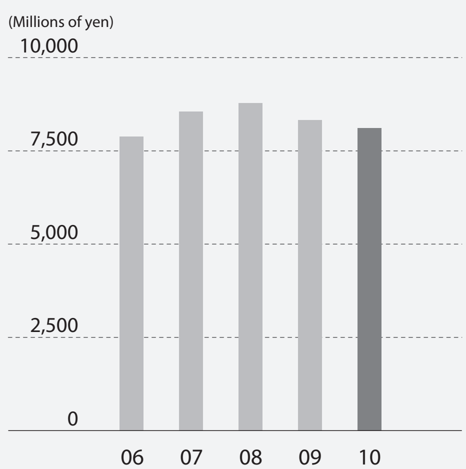
(9) Application of accounting for the impairment of fixed assets

In line with accounting law in Japan, the Group has applied impairment accounting for fixed assets. As a result, in the event of a significant future decline in market prices of land, and/or a deterioration in the Group's operating environment, there is a possibility of the posting of a substantial impairment loss, which would adversely affect the Group's business performance and financial position.

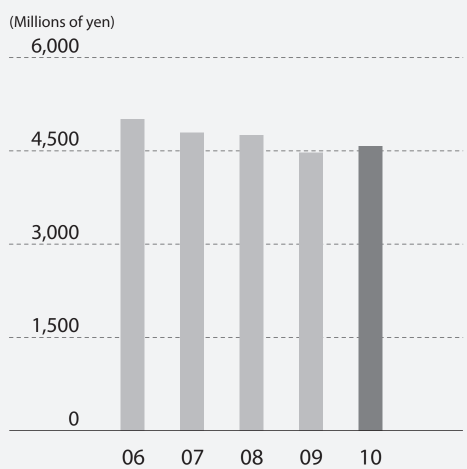
The Group is fully aware of the risks outlined above, and has measures in place to minimize their impact on operating results and financial position, at the Group and Group company level.

Estimates or projections included in this report are based on facts known to the Company's management as of the time of writing, and actual results may therefore differ substantially from such statements.

Depreciation and amortization expenditures



R&D expenditures



Consolidated Balance Sheets

Toagosei Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 3)
December 31,	2010	2009	2010
Assets			
Current assets:			
Cash and cash equivalents (Note 8)	¥ 22,689	¥ 12,387	$ 278,428
Notes and accounts receivable (Note 8)	44,495	44,019	546,026
Inventories (Note 4)	15,710	15,862	192,789
Deferred tax assets (Note 13)	1,031	984	12,657
Other current assets	1,253	1,506	15,384
Allowance for doubtful receivables	(108)	(116)	(1,331)
Total current assets	85,071	74,644	1,043,955
Property, plant and equipment (Notes 5, 6, 11 and 16):	225,286	227,758	2,764,590
Accumulated depreciation	(164,755)	(167,485)	(2,021,789)
Property, plant and equipment, net (Note 5)	60,530	60,273	742,801
Investments and other assets:			
Investment securities (Notes 8 and 9)	13,889	13,995	170,442
Long-term loans receivable	23	47	284
Intangible fixed assets, net	1,294	1,828	15,881
Deferred tax assets (Note 13)	4,948	2,523	60,721
Overdue loans receivable (Note 8)	8,753	8,711	107,411
Prepaid pension cost (Note 12)	1,987	1,607	24,389
Other assets	3,132	3,529	38,439
Allowance for doubtful receivables	(5,782)	(5,550)	(70,965)
Total investments and other assets	28,244	26,691	346,604
Total assets	¥173,847	¥161,609	$2,133,361

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2010	2009	2010
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable (Note 8)	¥ 14,828	¥ 16,786	$ 181,967
Short-term bank loans (Notes 8 and 11)	3,298	4,787	40,477
Current portion of long-term debt (Notes 8 and 11)	4,182	868	51,329
Deferred tax liabilities (Note 8)	0	—	0
Accrued income taxes	5,012	1,568	61,514
Other current liabilities	9,645	8,086	118,368
Total current liabilities	36,968	32,097	453,658
Long-term liabilities:			
Long-term debt (Notes 8 and 11)	6,201	10,312	76,100
Deferred tax liabilities (Note 13)	976	1,086	11,981
Accrued retirement benefits for employees (Note 12)	540	568	6,627
Accrued retirement benefits for directors	32	113	394
Other long-term liabilities	4,101	3,730	50,335
Total long-term liabilities	11,851	15,811	145,441
Commitments and contingencies (Note 19)			
Net assets:			
Shareholders' equity (Notes 14, 18, 21 and 22):			
Common stock, without par value:			
Authorized – 550,000,000 shares			
Issued:			
2010 – 263,992,598 shares	20,886	—	256,306
2009 – 263,992,598 shares	—	20,886	—
Capital surplus	15,088	15,086	185,163
Retained earnings	77,131	65,638	946,515
Treasury stock (Note 17)	(2,955)	(2,907)	(36,268)
Total shareholders' equity	110,151	98,704	1,351,716
Valuation and translation adjustments:			
Unrealized holding gain on securities	1,499	1,469	18,397
Translation adjustments	(1,367)	(725)	(16,781)
Total valuation and translation adjustments	131	744	1,615
Minority interests	14,743	14,250	180,930
Total net assets	125,027	113,700	1,534,262
Total liabilities and net assets	¥173,847	¥161,609	$2,133,361

Consolidated Statements of Income

Toagosei Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 3)
Years ended December 31,	2010	2009	2010
Net sales	¥153,779	¥140,033	$1,887,098
Cost of sales	103,491	100,764	1,269,989
Gross profit	50,288	39,268	617,108
Selling, general and administrative expenses (Notes 12 and 15)	29,016	28,110	356,077
Operating income	21,271	11,158	261,030
Other income (expenses):			
Interest and dividend income	429	422	5,274
Interest expense	(246)	(279)	(3,025)
Equity in earnings of affiliates	342	361	4,200
Impairment loss on property, plant and equipment (Note 6)	(2,419)	(2,486)	(29,688)
Loss on disposal of property, plant and equipment	(538)	(1,063)	(6,606)
Provision for doubtful receivables	(236)	(287)	(2,896)
Foreign currency exchange loss	(251)	(77)	(3,082)
Environment readiness fee	(398)	(142)	(4,890)
Laboratory transfer expenses	(189)	—	(2,330)
Gain on revision of retirement benefit plan	240	—	2,946
Loss on discontinued operations (Note 7)	—	(490)	—
Other, net	(86)	90	(1,063)
Income before income taxes and minority interests	17,917	7,205	219,868
Income taxes (Note 13):			
Current	6,583	3,392	80,789
Deferred	(2,575)	(547)	(31,601)
	4,008	2,844	49,188
Minority interests	775	819	9,515
Net income (Note 21)	¥ 13,133	¥ 3,541	$ 161,164

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Shareholders' equity			
Common stock			
Balance at previous year-end	¥ 20,886	¥20,886	$ 256,306
Changes during year:			
Total changes during year	—	—	—
Balance at end of year	¥ 20,886	¥20,886	$ 256,306
Capital surplus			
Balance at previous year-end	¥ 15,086	¥15,085	$ 185,136
Changes during year:			
Gain on sales of treasury stock	2	1	27
Total changes during year	2	1	27
Balance at end of year	¥ 15,088	¥15,086	$ 185,163
Retained earnings			
Balance at previous year-end	¥ 65,638	¥63,904	$ 805,480
Changes during year:			
Cash dividends	(1,640)	(1,807)	(20,128)
Net income	13,133	3,541	161,164
Total changes during year	11,492	1,733	141,035
Balance at end of year	¥ 77,131	¥65,638	$ 946,515
Treasury stock			
Balance at previous year-end	¥ (2,907)	¥ (877)	$ (35,673)
Changes during year:			
Purchase of treasury stock	(53)	(2,037)	(658)
Gain on sales of treasury stock	5	8	63
Total changes during year	(48)	(2,029)	(595)
Balance at end of year	¥ (2,955)	¥ (2,907)	$ (36,268)
Total shareholders' equity			
Balance at previous year-end	¥ 98,704	¥98,999	$1,211,250
Changes during year:			
Cash dividends	(1,640)	(1,807)	(20,128)
Net income	13,133	3,541	161,164
Purchase of treasury stock	(53)	(2,037)	(658)
Gain on sales of treasury stock	7	9	90
Total changes during year	11,446	(294)	140,466
Balance at end of year	¥110,151	¥98,704	$1,351,716

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 3) 2010
Valuation and translation adjustments			
Unrealized holding gain on securities			
Balance at previous year-end	¥ 1,469	¥ 1,047	$ 18,036
Changes during year:			
Net changes in items other than shareholders' equity	29	422	360
Total changes during year	29	422	360
Balance at end of year	¥ 1,499	¥ 1,469	$ 18,397
Unrealized gain on hedging derivatives			
Balance at previous year-end	¥ —	¥ 0	$ —
Changes during year:			
Net changes in items other than shareholders' equity	—	(0)	—
Total changes during year	—	(0)	—
Balance at end of year	¥ —	¥ —	$ —
Translation adjustments			
Balance at previous year-end	¥ (725)	¥ (775)	$ (8,897)
Changes during year:			
Net changes in items other than shareholders' equity	(642)	50	(7,884)
Total changes during year	(642)	50	(7,884)
Balance at end of year	¥ (1,367)	¥ (725)	$ (16,781)
Total valuation and translation adjustments			
Balance at previous year-end	¥ 744	¥ 272	$ 9,139
Changes during year:			
Net changes in items other than shareholders' equity	(613)	472	(7,523)
Total changes during year	(613)	472	(7,523)
Balance at end of year	¥ 131	¥ 744	$ 1,615
Minority interests			
Balance at previous year-end	¥ 14,250	¥ 13,776	$ 174,878
Changes during year:			
Net changes in items other than shareholders' equity	493	473	6,051
Total changes during year	493	473	6,051
Balance at end of year	¥ 14,743	¥ 14,250	$ 180,930
Total net assets			
Balance at previous year-end	¥113,700	¥113,048	$1,395,267
Changes during year:			
Cash dividends	(1,640)	(1,807)	(20,128)
Net income	13,133	3,541	161,164
Purchase of treasury stock	(53)	(2,037)	(658)
Gain on sales of treasury stock	7	9	90
Net changes in items other than shareholders' equity	(119)	946	(1,472)
Total changes during year	11,326	651	138,994
Balance at end of year	¥125,027	¥113,700	$1,534,262

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Toagosei Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 3)
Years ended December 31,	2010	2009	2010
Operating activities			
Income before income taxes and minority interests	¥17,917	¥ 7,205	$219,868
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	8,847	9,242	108,574
Impairment losses on property, plant and equipment	2,419	2,486	29,688
Increase in provision for doubtful receivables	224	171	2,760
Reversal of provision for retirement benefits	(409)	(474)	(5,020)
Decrease in other provisions	(157)	(49)	(1,931)
Interest and dividend income	(429)	(422)	(5,274)
Interest expense	246	279	3,025
Foreign currency exchange loss (gain)	60	(19)	737
Equity in earnings of affiliates	(342)	(361)	(4,200)
Gain on sales of property, plant and equipment	(10)	(11)	(129)
Gain on sales of investments in securities	(12)	(0)	(155)
Loss on disposal of property, plant and equipment	538	1,063	6,606
Loss on valuation of investment in securities	103	10	1,269
Valuation loss on investments in affiliated companies	6	65	73
Decrease (increase) in receivables	(709)	5,056	(8,706)
Decrease (increase) in inventories	(128)	3,517	(1,575)
Increase (decrease) in payables	(1,819)	(3,696)	(22,322)
Other, net	1,132	993	13,898
Subtotal	27,477	25,054	337,185
Interest and dividends received	786	833	9,646
Interest paid	(250)	(245)	(3,068)
Income taxes paid	(3,169)	(2,941)	(38,894)
Net cash provided by operating activities	24,843	22,701	304,867
Investing activities			
Increase in time deposits	(18)	(309)	(231)
Purchases of investments in securities	(20)	(58)	(256)
Proceeds from sales of investments in securities	108	0	1,327
Purchases of property, plant and equipment	(9,689)	(5,342)	(118,901)
Proceeds from sales of property, plant and equipment	28	16	345
Decrease (increase) in short-term loans receivable	40	—	490
Decrease (increase) in overdue loans receivable	(42)	399	(515)
Collection of long-term loans receivable	44	65	540
Other, net	(605)	(945)	(7,426)
Net cash used in investing activities	(10,155)	(6,174)	(124,627)
Financing activities			
Decrease in short-term bank loans	(1,304)	(4,919)	(16,012)
Decrease in commercial paper	—	(6,000)	—
Proceeds from long-term debt	—	3,000	—
Repayment of long-term debt	(797)	(1,839)	(9,788)
Proceeds from sales of treasury stock	7	9	90
Purchases of treasury stock	(53)	(2,037)	(658)
Repayment of lease obligations	(83)	(46)	(1,024)
Cash dividends to shareholders	(1,933)	(2,159)	(23,729)
Proceeds from contributions paid by minority stockholders	48	—	589
Net cash used in financing activities	(4,117)	(13,992)	(50,533)
Effect of exchange rate changes on cash and cash equivalents	(268)	27	(3,296)
Net increase in cash and cash equivalents	10,301	2,561	126,409
Cash and cash equivalents at beginning of the year	12,387	9,826	152,018
Cash and cash equivalents at end of the year	¥22,689	¥12,387	$278,428

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Toagosei Co., Ltd. and Consolidated Subsidiaries
December 31, 2010

1. Basis of Preparation

Toagosei Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those in their countries of domicile.

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

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

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant subsidiaries (collectively, the "Group") controlled directly or indirectly by the Company. Affiliated companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

The differences at the respective dates of acquisition between the cost and the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for by the equity method are being amortized by the straight-line method over a period of five years.

(b) Foreign currency translation

Receivables and payables in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the same exchange rates. Revenue and expense accounts of the foreign consolidated subsidiaries are translated at periodical average rates during the year.

(c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(d) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method. (The balance sheet amounts are written down if there is any decrease in profitability.)

(e) Property, plant and equipment and depreciation (except for leased assets)

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives of the respective assets and their residual value except for certain consolidated subsidiaries for which depreciation is calculated by the declining-balance method based on the estimated useful lives of the respective assets and their residual value.

(f) Intangible fixed assets (except for leased assets)

Amortization of intangible fixed assets, primarily consisting of software, is calculated by the straight-line method based on the estimated useful lives of the respective assets in this category (5 years for software).

(g) Securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity and other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value determined based on the average of quoted prices (or their equivalent) in the one-month period prior to the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(h) Income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements determined with respect to the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(i) Research and development costs

Research and development costs are charged to income when incurred.

(j) Leases

Lease transactions had been primarily accounted for as operating leases (regardless of whether such leases were classified as operating or finance leases) except for the lease agreements which stipulate the transfer of ownership of the leased assets to the lessee.

The revised accounting standards require that all finance lease transactions shall be capitalized by recognizing leased assets and corresponding lease obligations in the balance sheet. Depreciation of leased assets shall be calculated based on the assumption that the useful lives equal the lease term and the residual value is zero.

Lease transactions that do not transfer ownership, contracted before January 1, 2009, continue to be accounted for as operating leases.

(k) Retirement benefits for employees and directors

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. When pension plan assets are less than retirement benefit obligation as adjusted for the unrecognized actuarial gain or loss, the amount is booked as accrued retirement benefits and when pension plan assets are more than retirement benefit obligation as adjusted for the unrecognized actuarial gain or loss, the amount is booked as prepaid pension cost. Actuarial gain or loss of the Company is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (13 to 15 years). Actuarial gain and loss of two consolidated subsidiaries are amortized by the straight-line method over a period (5 years and 10 years, respectively) which is shorter than the average remaining years of service of the eligible employees.

In addition, directors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under the unfunded retirement benefits plans. The provision for retirement benefits for these officers has been made at estimated amounts.

On April 1, 2004, the Company changed its rules for tax-qualified pension plans and lump-sum payment plans. As a result, unrecognized prior year service cost to reduce the retirement benefit obligation was incurred. The unrecognized prior year service cost is being amortized by the straight-line method over a period (14 years) which is shorter than the average remaining years of service of the eligible employees.

On April 1, 2005, one consolidated subsidiary changed its rules for tax-qualified pension plans and lump-sum payment plans. As a result, unrecognized prior year service cost to reduce the retirement benefit obligation was incurred. The unrecognized prior year service cost is being amortized by the straight-line method over a period (5 years) which is shorter than the average remaining years of service of the eligible employees.

On July 1, 2010, the Company transferred its tax-qualified pension plans to a defined benefit plan and a defined contribution plan. As a result, a gain of ¥240 million (U.S.$2,946 thousand) was recognized in other income for the year ended December 31, 2010.

On October 1, 2010, one consolidated subsidiary changed its rules for tax-qualified pension plans and lump-sum payment plans. As a result, an unrecognized prior year service cost to reduce the retirement benefit obligation was incurred. The unrecognized prior year service cost is being amortized by the straight-line method over a period (15 years) which is shorter than the average remaining years of service of the eligible employees.

Effective from the year commencing January 1, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (Accounting Standards Board of Japan (ASBJ) Statement No.19, July 31, 2008). The effect of this change on operating income and income before income taxes and minority interests was immaterial for the year ended December 31, 2010.

(l) Derivative financial instruments

The Company has entered into various contracts of derivative financial instruments in order to manage certain risks arising from adverse fluctuations in interest rates. Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, unless when those which meet certain hedging criteria for special accounting treatment under which any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense over the life of such swaps, thereby adjusting the effective interest rate on the hedged items, which are the underlying borrowings.

(m) Appropriation of retained earnings

Under Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

(n) Accounting standard for construction contracts

The Company and its domestic subsidiaries previously applied the completed contract method to construction works. Effective from the year commencing January 1, 2010, the Company and its domestic subsidiaries adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007).

Accordingly, starting with orders received during the current fiscal year, the Company began applying the percentage of completion method to contracts for which completion can be reliably estimated based on the progress made up to the end of the current fiscal year (degree of progress is estimated using the cost output method). The completed contract method continues to be applied to all other construction works. This change had no impact on net income for the year ended December 31, 2010.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is made at ¥81.49 = U.S.$1.00, the approximate exchange rate at December 31, 2010, and included solely for convenience. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Inventories

Inventories at December 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise and finished products	¥10,380	¥10,537	$127,378
Work in process	461	591	5,658
Raw materials and supplies	4,869	4,734	59,753
	¥15,710	¥15,862	$192,789

5. Property, Plant and Equipment

Property, plant and equipment at December 31, 2010 and 2009 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Land	¥16,859	¥18,050	$206,885
Buildings and structures	19,230	18,891	235,986
Machinery, equipment and other	19,933	21,756	244,615
Construction in progress	4,259	1,358	52,268
Leased assets	248	216	3,045
	¥60,530	¥60,273	$742,801

6. Impairment Loss on Property, Plant and Equipment

The Company and its consolidated subsidiaries have recognized impairment losses on the following classes of assets for the years ended December 31, 2010 and 2009:

2010

Location	Major use	Category	Millions of yen	Thousands of U.S. dollars
Ryugasaki city, Ibaraki	Company housing	Land and Buildings	¥ 776	$ 9,526
Tsukuba city, Ibaraki	Facilities for manufacturing adhesion bond	Land and Buildings	731	8,976
Tokushima city, Tokushima	Facilities for manufacturing caustic soda and inorganic chloride	Buildings, machinery and equipment	622	7,644
Minato-ku, Nagoya city	Laboratory	Buildings, machinery and equipment	155	1,909
Takatsuki city, Osaka	Idle	Buildings, machinery and equipment	132	1,631
Total			¥2,419	$29,688

2009

Location	Major use	Category	Millions of yen
Tokushima city, Tokushima	Facilities for manufacturing chlorinated organic solvents	Buildings, machinery and equipment	¥1,846
Nagoya city	Laboratory	Buildings, machinery and equipment	443
Nagoya city and other	Company housing	Buildings and structures	143
Nagoya city	Synthetic resin molded products	Tools and long-term prepaid expenses	52
Total			¥2,486

The Company and its consolidated subsidiaries have grouped business-use assets according to the minimum independent cash-flow-generating unit and have identified idle assets as one group for the purpose of accounting for impairment of property, plant and equipment on an individual basis.

When there is a decrease in profitability, no specific plan for future use or the book value of such idle assets is less than their respective recoverable amounts, the book value of the assets is written down to its recoverable amount. The assets listed in the above tables were written down to their respective recoverable amounts and ¥2,419 million (U.S.$29,688 thousand) and ¥2,486 million of impairment losses were recognized in the statements of income for the years ended December 31, 2010 and 2009, respectively.

The impairment loss consisted of ¥680 million (U.S.$8,352 thousand) for buildings and structures, ¥389 million (U.S.$4,784 thousand) for machinery and equipment, ¥1,186 million (U.S.$14,559 thousand) for land, ¥4 million (U.S.$49 thousand) for other and ¥158 million (U.S.$1,942 thousand) for removal cost for the year ended December 31, 2010 and consisted of ¥657 million for buildings, ¥1,074 million for machinery and equipment, ¥63 million for other and ¥689 million for removal cost for the year ended December 31, 2009.

The impairment loss for idle assets was measured based on the valuation of the assets using the valuation techniques of a real estate appraiser and the memorandum value of the idle assets.

7. Loss on Discontinued Operations

Loss on discontinued operations, amounting to ¥490 million for the year ended December 31, 2009, consisted of inventory valuation loss and its related disposal cost due to the cessation of operations of facilities for chlorinated organic products.

8. Financial Instruments

1. Matters related to the status of financial instruments

(1) Policies on financial instruments

When managing surplus funds, the Group limits the application of such funds to highly secure financial assets that, mainly short-term bank deposits, and it procures funds mainly through bank borrowings. Derivative transactions are used to hedge interest fluctuation risk present in borrowings, but are not used for speculative or trading purposes.

(2) Description of financial instruments and associated risks

Notes and accounts receivable, which represent trade receivables, are exposed to client-based credit risk. Furthermore, foreign currency denominated trade receivables are also subject to exchange rate fluctuation risks. In order to counter such risk, foreign currency borrowings are used when necessary as a means of hedging the net position of foreign currency denominated trade payables. Securities and investment securities are primarily negotiable deposits, held-to-maturity securities and shares related to businesses, and are thus exposed to risk stemming from fluctuations in market value.

Notes and accounts payable, which represent trade payables, are due within one year. A portion of these are foreign currency denominated items related to payment for raw material imports, which are subject to exchange rate fluctuation risk. These are constantly maintained within the balance of receivables denominated in the same foreign currencies. Borrowings are used to procure funds necessary for operational transactions and capital expenditures. A portion of these bearing variable interest rates are exposed to interest rate fluctuation risk. Derivative transactions (interest rate swap transactions) are used as a means of hedging.

The interest rate swap transactions are entered into hedge in order to risk associated with fluctuations in interest rates on borrowings. Information on hedge accounting-related matters such as hedging instruments, hedged items, hedging policies and methods of assessing the effectiveness of hedging can be found in Note2 (l).

(3) Risk management systems related to financial instruments

(a) Management of credit risk (risk associated with non-performance of a contract by a business partner etc.)

The departments in charge of Company operations regularly monitor the trade receivable status of all business partners in accordance with the Regulations on Selling in order to identify business partner-based credit risk associated with the deterioration of financial circumstances or other causes at an early stage and reduce it. In the case of the consolidated subsidiaries, their divisions or accounting departments also manage the financial and credit status of their business partners pursuant to their own regulations.

As held-to-maturity securities consist only of those with a high credit rating, the credit risk of such securities is very small.

Derivative transactions are entered into only with highly rated financial institutions.

The maximum credit risk value as of the date of closing of consolidated accounts for the current term is expressed by the value of financial assets in the consolidated balance sheet which are subject to credit risk.

(b) Management of market risk (risk associated with exchange rate and interest rate fluctuations)

When necessary, the Company uses borrowings denominated in foreign currencies to hedge its foreign currency denominated trade receivables and trade payables. Interest rate swaps are used to reduce risk associated with fluctuations in interest expenses related to borrowings.

The Company regularly monitors the fair value of securities and investment securities, and the financial condition of the issuers (its business partners).

Derivative transactions are individually approved by the director of finance and accounting before being entered into by the finance and accounting department, and their position and profit/loss situation are managed regularly.

(c) Management of liquidity risk associated with procuring funds (the risk of being unable to execute a payment on the due date)

The Company and its consolidated subsidiaries have formulated cash flow management plans and manage liquidity risk by, for example, keeping a certain amount of cash reserves on hand. The conclusion of commitment line agreements with a total value of ¥10 billion also serves to reduce liquidity risk.

(4) Supplementary information regarding the fair value of financial instruments

The fair value of financial instruments consists of their market price-based value, and, if a market price is not available, their logically calculated value. Variable factors are incorporated into the calculations of the fair value, and different fair values are possible depending on the differing assumptions used.

2. Fair value of financial instruments

The fair value and carrying value of financial instruments and the difference between both values are shown below. Financial instruments whose fair value is extremely difficult to determine, are not included in the table below.

	Millions of yen		
December 31, 2010	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	¥14,055	¥14,055	—
(2) Notes and accounts receivable	44,495	44,495	—
(3) Securities and investment securities:			
(i) Held-to-maturity securities	101	103	¥ 1
(ii) Other securities	19,026	19,026	—
(4) Overdue loans receivable	8,753		
Allowance for doubtful receivables (*)	(5,688)		
	3,065	3,065	—
Total assets	80,745	80,746	1
(1) Notes and accounts payable	14,828	14,828	—
(2) Short-term bank loans	7,481	7,481	—
(3) Long-term debt	6,020	6,067	47
Total liabilities	¥28,330	¥28,377	¥47
Total derivative transactions	—	—	—

December 31, 2010	Thousands of U.S. dollars Carrying value	Fair value	Difference
(1) Cash and cash equivalents	$172,486	$172,486	—
(2) Notes and accounts receivable	546,026	546,026	—
(3) Securities and investment securities:			
(i) Held-to-maturity securities	1,247	1,269	$ 21
(ii) Other securities	233,486	233,486	—
(4) Overdue loans receivable	107,411		
Allowance for doubtful receivables (*)	(69,799)		
	37,611	37,611	—
Total assets	990,859	990,881	21
(1) Notes and accounts payable	181,967	181,967	—
(2) Short-term bank loans	91,806	91,806	—
(3) Long-term debt	73,881	74,461	579
Total liabilities	$347,656	$348,235	$579
Total derivative transactions	—	—	—

(*) Excludes the estimated unrecoverable amount of overdue loans receivable.

(Note 1)

Valuation method of financial instruments and matters related to securities and derivative transactions.

Assets

(1) Cash and cash equivalents, and (2) Notes and accounts receivable

As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Securities and investment securities

In the case of the fair value of securities and investment securities, shares are stated at the exchange-listed price and securities are stated at the exchange-listed price or the price quoted by the correspondent financial institution. In the case of those other securities which are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(4) Overdue loans receivable

In the case of overdue loans receivable, the estimated unrecoverable amount is calculated based on the amount expected to be recovered, which is determined based on the financial condition of the borrower. Therefore, the fair value is approximately equal to the amount stated in the balance sheet as of the date of closing of consolidated accounts, less the estimated unrecoverable amount, and this value is stated as the fair value.

Liabilities

(1) Notes and accounts payable, and (2) Short-term bank loans

As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Long-term debt

The fair value of long-term debt is calculated as the present value by discounting the total principal and interest on the borrowings by the interest rate which would be assumed if new, similar borrowings were made.

Derivatives

Please refer to No.10

(Note 2)

Financial instruments whose fair value is extremely difficult to determine.

December 31, 2010	Millions of yen	Thousands of U.S. dollars
Investments in unconsolidated subsidiaries and affiliates	¥2,260	$27,742
Other securities:		
Unlisted securities	1,142	14,024
Other	357	4,383
Total	¥3,760	$46,151

It is extremely difficult to determine the fair value of these items, as they do not have market prices and future cash flow cannot be estimated. Therefore, they are not included in "Assets: (3) Securities and investment securities in the preceding table."

(Note 3)

The redemption schedule for monetary claims, held-to-maturity securities and other securities with maturities subsequent to the consolidated balance sheet date.

	Millions of yen			
December 31, 2010	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash equivalents	¥14,049	—	—	—
Notes and accounts receivable	44,495	—	—	—
Securities and investment securities:				
Held-to-maturity securities	—	—	¥100	—
Other securities with maturities	9,000	—	—	—
Total	¥67,544	—	¥100	—

	Thousands of U.S. dollars			
December 31, 2010	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash equivalents	$172,403	—	—	—
Notes and accounts receivable	546,026	—	—	—
Securities and investment securities:				
Held-to-maturity securities	—	—	$1,227	—
Other securities with maturities	110,442	—	—	—
Total	$828,872	—	$1,227	—

Overdue loans receivable whose timing of collection is uncertain are not included in the table above.

(Note 4)

Please refer to Note 11 as to the redemption schedule for long-term debt subsequent the consolidated balance sheet date.

9. Investment Securities

(a) At December 31, 2010 and 2009, held-to-maturity securities for which market prices were available were summarized as follows:

	Millions of yen		
December 31, 2010	Carrying value	Fair value	Unrealized gain (loss)
Unrealized gain:			
Corporate bonds	¥101	¥103	¥1
Unrealized loss:			
Corporate bonds	—	—	—
Total	¥101	¥103	¥1

	Thousands of U.S. dollars		
December 31, 2010	Carrying value	Fair value	Unrealized gain (loss)
Unrealized gain:			
Corporate bonds	$1,247	$1,269	$21
Unrealized loss:			
Corporate bonds	—	—	—
Total	$1,247	$1,269	$21

December 31, 2009	Millions of yen Carrying value	Fair value	Unrealized gain (loss)
Unrealized gain:			
Corporate bonds	¥102	¥103	¥ 0
Unrealized loss:			
Corporate bonds	—	—	—
Total	¥102	¥103	¥ 0

(b) Marketable securities classified as other securities as of December 31, 2010 and 2009 were summarized as follows:

December 31, 2010	Millions of yen Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Other	¥ 3,795	¥ 6,967	¥3,171
Securities whose acquisition cost exceeds their carrying value:			
Stock	3,902	3,059	(842)
Other	9,000	9,000	—
Total	¥16,697	¥19,026	¥2,328

December 31, 2010	Thousands of U.S. dollars Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	$ 46,576	$ 85,497	$38,920
Securities whose acquisition cost exceeds their carrying value:			
Stock	47,887	37,546	(10,341)
Other	110,442	110,442	—
Total	$204,907	$233,486	$28,578

December 31, 2009	Millions of yen Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥3,572	¥ 6,882	¥3,309
Securities whose acquisition cost exceeds their carrying value:			
Stock	4,279	3,228	(1,051)
Total	¥7,852	¥10,110	¥2,258

(c) Sales of securities classified as other securities amounted to ¥108 million (U.S.$1,327 thousand) with a gain of ¥12 million (U.S.$155 thousand) for the year ended December 31, 2010 and ¥0 million with a gain of ¥0 million for the year ended December 31, 2009.

(d) Other securities without fair value as of December 31, 2009 were as follows:

	Millions of yen 2009
Investments in unconsolidated subsidiaries and affiliates:	¥2,256
Other securities:	
Unlisted securities	1,142
Other	383

10. Derivative Transactions

(1) Derivative transactions to which hedge accounting is not applied.

Not applicable.

(2) Derivative transactions to which hedge accounting is applied.

Derivative transactions to which the deferred hedge accounting method is applied as of December 31, 2010.

December 31, 2010	Millions of yen Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps:			
Interest rate swaps			
(Hedged item: Long-term debt)			
Receive floating and pay fixed	¥5,445	¥3,326	(*)

December 31, 2010	Thousands of U.S. dollars Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps:			
Interest rate swaps			
(Hedged item: Long-term debt)			
Receive floating and pay fixed	$66,821	$40,822	(*)

(*) Because the interest rate swaps are accounted for with the long-term debt, as the hedged item, the fair value of the swaps is included in the fair value of the long-term debt.

11. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans, principally unsecured, consisted of notes payable to banks bearing annual interest rates of 0.78% and 0.94% at December 31, 2010 and 2009, respectively.

Long-term debt at December 31, 2010 and 2009 consisted of the following:

	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Loans with collateral from banks, insurance companies and other, bearing annual interest rates of 1.67% and 1.42% for current portion of long-term debt and lease obligations, and long-term debt and lease obligations less current portion at December 31, 2010, respectively	¥10,384	¥11,181	$127,429
	10,384	11,181	127,429
Less: current portion	(4,182)	(868)	(51,329)
	¥ 6,201	¥10,312	$ 76,100

Assets pledged as collateral for short-term bank loans and long-term debt at December 31, 2010 and 2009 were as follows:

	Millions of yen 2010	2009	Thousands of U.S. dollars 2010
Property, plant and equipment at net book value	¥19,968	¥19,672	$245,041

The aggregate annual maturities of long-term debt and lease obligations subsequent to December 31, 2011 were summarized as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 879	$10,794
2013	3,853	47,291
2014	771	9,469
2015	468	5,747

12. Retirement Benefit Plans for Employees

The Company has a defined benefit plan and a defined contribution plan. Domestic consolidated subsidiaries have defined benefit plans, tax-qualified pension plans and lump-sum payment plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of December 31, 2010 and 2009 related to the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(12,356)	¥(15,895)	$(151,633)
Plan assets at fair value	10,704	13,082	131,357
Funded status	(1,652)	(2,812)	(20,275)
Unrecognized actuarial gain	3,305	4,028	40,565
Unrecognized prior service cost	(205)	(177)	(2,527)
Prepaid pension cost	1,987	1,607	24,389
Accrued retirement benefits	¥ (540)	¥ (568)	$ (6,627)

The components of net periodic retirement benefit expenses for the years ended December 31, 2010 and 2009 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥ 641	¥ 730	$ 7,876
Interest cost	251	306	3,091
Expected return on plan assets	(161)	(166)	(1,979)
Amortization of actuarial loss	411	441	5,055
Amortization of unrecognized prior service cost	(20)	(25)	(253)
Other (*)	108	—	1,333
Total	¥1,232	¥1,286	$15,123

(*) Contribution to defined contribution plan

The assumptions used in accounting for the defined benefit plans for the years ended December 31, 2010 were as follows:

	2010	2009
Discount rate	Mainly 1.5%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.0%	Mainly 2.0%

13. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on earnings, i.e. corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5 percent for the years ended December 31, 2010 and 2009.

The effective tax rate reflected in the consolidated statements of income for the year ended December 31, 2010 differs from the statutory tax rate for the following reasons:

	2010
Statutory tax rate	40.5%
Effect of:	
Permanent difference – entertainment expenses	0.5
Permanent difference – dividend income	(0.3)
Inhabitants' per capita taxes	0.4
Amortization of goodwill	0.7
Equity in earnings of affiliates	(0.8)
Valuation allowance	(13.2)
Different tax rates applied to income of foreign consolidated subsidiaries	(4.9)
Tax deduction of experiment and research expenses	(1.5)
Other, net	0.8
Effective tax rate	22.4%

Reconciliation for the year ended December 31, 2009 is not presented herein as the difference between the statutory tax rate and the effective tax rate was less than 5 percent of the statutory tax rate.

Significant components of the deferred tax assets and liabilities as of December 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Loss on valuation of investment in securities	¥ 943	¥ 957	$ 11,576
Elimination of unrealized profit	1,509	1,437	18,519
Accrued retirement benefits	1,206	1,413	14,810
Accrued enterprise tax	403	147	4,951
Allowance for doubtful receivables	2,357	2,416	28,931
Accrued bonuses	22	57	275
Net operating loss carry forwards	714	1,654	8,766
Impairment loss on property, plant and equipment	2,123	1,470	26,063
Nondeductible loss on discontinued operations	21	198	268
Other	1,253	1,226	15,376
Gross deferred tax assets	10,556	10,978	129,539
Valuation allowance	(3,101)	(6,067)	(38,056)
Total deferred tax assets	7,454	4,911	91,482
Deferred tax liabilities:			
Reserve under Special Taxation Measures Law	(398)	(419)	(4,889)
Undistributed earnings of overseas partnerships	(467)	(509)	(5,743)
Gain on contribution of securities to retirement benefit trust	(754)	(795)	(9,253)
Unrealized holding gain on securities	(809)	(758)	(9,930)
Other	(21)	(6)	(262)
Total deferred tax liabilities	(2,451)	(2,488)	(30,079)
Net deferred tax assets	¥ 5,003	¥ 2,422	$ 61,403

14. Investment and Rental Property

Disclosures about the fair values of investment and rental property have not been presented as the total amount of the property is immaterial.

Effective from the fiscal year ended December 31, 2010, the Company and its consolidated subsidiaries have applied "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20, November 28, 2008), and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23, November 28, 2008).

15. Capital Surplus and Retained Earnings

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve or the legal reserve until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The legal reserve amounted to ¥3,990 million (U.S.$48,963 thousand) and ¥3,990 million as of December 31, 2010 and 2009, respectively.

16. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended December 31, 2010 and 2009 were ¥4,582 million (U.S.$56,235 thousand) and ¥4,472 million, respectively.

17. Leases

The following amounts represent the acquisition cost, accumulated depreciation and net book value of finance lease transactions entered into on or before December 31, 2009, except for the lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, as of December 31, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Acquisition cost:			
Buildings and structures	¥ 23	¥ 38	$ 292
Machinery and equipment	475	699	5,832
Other intangible fixed assets	8	8	101
	¥507	¥746	$6,225
Accumulated depreciation:			
Buildings and structures	¥ 20	¥ 30	$ 248
Machinery and equipment	393	520	4,828
Other intangible fixed assets	7	5	91
	¥421	¥555	$5,168
Net book value:			
Buildings and structures	¥ 3	¥ 8	$ 43
Machinery and equipment	81	179	1,003
Other intangible fixed assets	0	2	10
	¥ 86	¥190	$1,057

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥107 million (U.S.$1,315 thousand) and ¥154 million, respectively, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms, for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to December 31, 2010 for non-cancelable operating leases and finance leases accounted for as operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars	
Year ending December 31,	Operating leases	Finance leases	Operating leases	Finance leases
2011	¥61	¥59	$749	$ 726
2012 and thereafter	14	27	183	333
Total	¥76	¥86	$933	$1,059

18. Treasury Stock

Number of shares of treasury stock for the years ended December 31, 2010 and 2009 was as follows:

	Thousands of shares			
Year ended December 31, 2010	December 31, 2009	Increase during the year	Decrease during the year	December 31, 2010
Treasury stock:				
Common stock	11,603	142	20	11,725
Total	11,603	142	20	11,725

	Thousands of shares			
Year ended December 31, 2009	December 31, 2008	Increase during the year	Decrease during the year	December 31, 2009
Treasury stock:				
Common stock	3,419	8,216	33	11,603
Total	3,419	8,216	33	11,603

19. Cash Dividends

Dividends paid in the years ended December 31, 2010 and 2009 were as follows:

Year ended December 31, 2010

		Millions of yen	Thousands of U.S. dollars
Resolution	Type of shares	Gross amount	Gross amount
March 30, 2010 97th Annual Shareholders' Meeting	Common stock	¥757	$ 9,291
August 5, 2010 Board of Directors	Common stock	¥883	$10,836

Year ended December 31, 2010

	Yen	U.S. dollars		
Resolution	Per share	Per share	Record date	Effective date
March 30, 2010 97th Annual Shareholders' Meeting	¥3.00	$0.037	December 31, 2009	March 31, 2010
August 5, 2010 Board of Directors	¥3.50	$0.043	June 30, 2010	September 6, 2010

Year ended December 31, 2009

		Millions of yen
Resolution	Type of shares	Gross amount
March 27, 2009 96th Annual Shareholders' Meeting	Common stock	¥1,042
August 6, 2009 Board of Directors	Common stock	¥ 765

Year ended December 31, 2009

	Yen		
Resolution	Per share	Record date	Effective date
March 27, 2009 96th Annual Shareholders' Meeting	¥4.00	December 31, 2008	March 30, 2009
August 6, 2009 Board of Directors	¥3.00	June 30, 2009	September 4, 2009

Dividends whose record date was in the year ended December 31, 2010 but whose effective date is in the year ending December 31, 2011 were as follows:

Year ended December 31, 2010

		Millions of yen	Thousands of U.S. dollars	
Resolution	Type of shares	Gross amount	Gross amount	Resource
March 30, 2011 98th Annual Shareholders' Meeting	Common stock	¥1,387	$17,026	Retained earnings

Year ended December 31, 2010

	Yen	U.S. dollars		
Resolution	Per share	Per share	Record date	Effective date
March 30, 2011 98th Annual Shareholders' Meeting	¥5.50	$0.067	December 31, 2010	March 31, 2011

Dividends whose record date was in the year ended December 31, 2009 but whose effective date was in the year ended December 31, 2010 were as follows:

Year ended December 31, 2009

		Millions of yen	
Resolution	Type of shares	Gross amount	Resource
March 30, 2010 97th Annual Shareholders' Meeting	Common stock	¥757	Retained earnings

Year ended December 31, 2009

	Yen		
Resolution	Per share	Record date	Effective date
March 30, 2010 97th Annual Shareholders' Meeting	¥3.00	December 31, 2009	March 31, 2010

20. Commitments and Contingencies

Contingencies

At December 31, 2010 and 2009, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Guarantees of indebtedness	¥174	¥251	$2,135
	¥174	¥251	$2,135

Commitment line

The Company concluded an arrangement for a committed line of credit up to ¥10,000 million with 13 banks in order to secure and obtain timely working capital on June 30, 2008.

At December 31, 2010, the outstanding balance of the commitments was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Total committed line of credit	¥10,000	¥10,000	$122,714
Executed amount	¥ —	¥ —	$ —
Unexecuted amount	¥10,000	¥10,000	$122,714

21. Segment Information

Business Segments

Business segments of the Company and its consolidated subsidiaries are divided into "Commodity Chemicals," "Acrylic Products," "Specialty Chemicals," "Plastics" and "Other Businesses" based on the specific characteristics of the business activities in each segment and management system.

Disclosures about the fair values of investment and rental property have not been presented as these amounts are immaterial.

Effective from fiscal the year ended December 31, 2010, the Company and its consolidated subsidiaries adopted the new accounting standard, "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20, November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23, November 28, 2008).

Business segment information for the year ended December 31, 2009 has been reclassified to conform to the business segment in the current year.

Business segment information of the Company and its consolidated subsidiaries for the years ended December 31, 2010 and 2009 were summarized as follows:

	Millions of yen			
Year ended December 31, 2010	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties	¥46,870	¥60,680	¥16,970	¥28,026
Intersegment sales	293	32	485	57
Net sales	47,164	60,713	17,456	28,083
Operating costs and expenses	40,499	50,902	13,682	26,549
Operating income (loss)	¥ 6,665	¥ 9,810	¥ 3,774	¥ 1,534
Total assets	37,897	46,679	15,094	35,347
Depreciation	3,101	2,346	535	1,704
Impairment losses	622	—	731	187
Capital expenditures	¥ 3,149	¥ 5,161	¥ 447	¥ 1,429

	Millions of yen			
Year ended December 31, 2010	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	¥1,231	¥153,779	¥ —	¥153,779
Intersegment sales	6,128	6,997	(6,997)	—
Net sales	7,360	160,777	(6,997)	153,779
Operating costs and expenses	7,849	139,482	(6,974)	132,508
Operating income (loss)	¥ (489)	¥ 21,294	¥ (23)	¥ 21,271
Total assets	4,598	139,616	34,230	173,847
Depreciation	205	7,894	629	8,524
Impairment losses	—	1,541	877	2,419
Capital expenditures	¥ 121	¥ 10,309	¥ 246	¥ 10,555

	Thousands of U.S. dollars			
Year ended December 31, 2010	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties	$575,174	$744,636	$208,257	$343,920
Intersegment sales	3,606	401	5,957	700
Net sales	578,781	745,038	214,214	344,620
Operating costs and expenses	496,990	624,651	167,898	325,795
Operating income (loss)	$ 81,790	$120,386	$ 46,316	$ 18,824
Total assets	465,058	572,820	185,233	433,758
Depreciation	38,063	28,800	6,568	20,921
Impairment losses	7,644	—	8,976	2,297
Capital expenditures	$ 38,649	$ 63,334	$ 5,488	$ 17,545

	Thousands of U.S. dollars			
Year ended December 31, 2010	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	$15,110	$1,887,098	$ —	$1,887,098
Intersegment sales	75,207	85,873	(85,873)	—
Net sales	90,317	1,972,972	(85,873)	1,887,098
Operating costs and expenses	96,319	1,711,655	(85,588)	1,626,067
Operating income (loss)	$ (6,002)	$ 261,316	$ (285)	$ 261,030
Total assets	56,429	1,713,301	420,060	2,133,361
Depreciation	2,524	96,877	7,729	104,607
Impairment losses	—	18,918	10,770	29,688
Capital expenditures	$ 1,487	$ 126,506	$ 3,024	$ 129,531

(Note 1)

Accounting standard for construction contracts

The Company and its domestic subsidiaries previously applied the completed contract method to construction works. Effective from the year commencing January 1, 2010, the Company and its domestic subsidiaries adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007).

Accordingly, starting with orders received during the current fiscal year, the Company began applying the percentage of completion method to contracts for which completion can be reliably estimated based on the progress made up to the end of the current fiscal year (degree of progress is estimated using the cost output method). The completed contract method continues to be applied to all other construction works. This change had no impact on net income for the year ended December 31, 2010.

(Note 2)

Accounting standard for retirement benefits (Part3)

Effective from the year commencing January 1, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, July 31, 2008). The impact of this change on operating income and income before income taxes and minority interests was immaterial for the year ended December 31, 2010.

	Millions of yen			
Year ended December 31, 2009	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties	¥45,646	¥48,683	¥15,607	¥28,599
Intersegment sales	206	41	426	34
Net sales	45,853	48,724	16,033	28,634
Operating costs and expenses	41,570	45,809	13,235	26,842
Operating income (loss)	¥ 4,283	¥ 2,915	¥ 2,798	¥ 1,791
Total assets	40,582	41,436	16,391	35,245
Depreciation	3,374	2,497	530	1,686
Impairment losses	1,846	—	—	196
Capital expenditures	¥ 2,498	¥ 1,553	¥ 230	¥ 1,453

	Millions of yen			
Year ended December 31, 2009	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	¥1,497	¥140,033	¥ —	¥140,033
Intersegment sales	5,818	6,528	(6,528)	—
Net sales	7,315	146,561	(6,528)	140,033
Operating costs and expenses	7,982	135,439	(6,564)	128,875
Operating income (loss)	¥ (666)	¥ 11,121	¥ 36	¥ 11,158
Total assets	4,589	138,245	23,363	161,609
Depreciation	238	8,327	608	8,936
Impairment losses	—	2,043	443	2,486
Capital expenditures	¥ 63	¥ 5,799	¥ 172	¥ 5,971

Geographical segments

Geographical segment information of the Company and its consolidated subsidiaries for the years ended December 31, 2010 and 2009 were summarized as follows:

	Millions of yen			
Year ended December 31, 2010	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	¥137,796	¥15,982	¥ —	¥153,779
Intersegment sales	1,887	3,289	(5,177)	—
Net sales	139,684	19,272	(5,177)	153,779
Operating costs and expenses	122,237	15,419	(5,148)	132,508
Operating income (loss)	¥ 17,446	¥ 3,853	¥ (28)	¥ 21,271
Total assets	¥166,459	¥10,329	¥(2,941)	¥173,847

	Thousands of U.S. dollars			
Year ended December 31, 2010	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	$1,690,965	$196,132	$ —	$1,887,098
Intersegment sales	23,159	40,372	(63,531)	—
Net sales	1,714,124	236,504	(63,531)	1,887,098
Operating costs and expenses	1,500,025	189,218	(63,176)	1,626,067
Operating income (loss)	$ 214,099	$ 47,286	$ (354)	$ 261,030
Total assets	$2,042,699	$126,758	$(36,096)	$2,133,361

(Note 1)

Accounting standard for construction contracts

The Company and its domestic subsidiaries previously applied the completed contract method to construction works. Effective from the year commencing January 1, 2010, the Company and its domestic subsidiaries adopted the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007).

Accordingly, starting with orders received during the current fiscal year, the Company began applying the percentage of completion method to contracts for which completion can be reliably estimated based on the progress made up to the end of the current fiscal year (degree of progress is estimated using the cost output method). The completed contract method continues to be applied to all other construction works. This change had no impact on net income for the year ended December 31, 2010.

(Note 2)

Accounting standard for retirement benefits (Part3)

Effective from the year commencing January 1, 2010, the Company and its domestic consolidated subsidiaries adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part3)" (ASBJ Statement No.19, July 31, 2008). The impact of this change on operating income and income before income taxes and minority interests was immaterial for the year ended December 31, 2010.

	Millions of yen			
Year ended December 31, 2009	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties	¥128,577	¥11,455	¥ —	¥140,033
Intersegment sales	1,121	2,858	(3,980)	—
Net sales	129,699	14,314	(3,980)	140,033
Operating costs and expenses	119,214	13,549	(3,887)	128,875
Operating income (loss)	¥ 10,485	¥ 765	¥ (92)	¥ 11,158
Total assets	¥156,686	¥ 8,757	¥(3,834)	¥161,609

Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended December 31, 2010 and 2009 were summarized as follows:

	Millions of yen				
Year ended December 31, 2010	Asia	North America	Europe	Other	Total
Overseas sales	¥23,385	¥2,469	¥2,106	¥573	¥ 28,533
Consolidated net sales					153,779
Percentage of overseas sales to consolidated net sales	15.2%	1.6%	1.4%	0.4%	18.6%

	Thousands of U.S. dollars				
Year ended December 31, 2010	Asia	North America	Europe	Other	Total
Overseas sales	$286,969	$30,300	$25,845	$7,032	$ 350,149
Consolidated net sales					1,887,098
Percentage of overseas sales to consolidated net sales	15.2%	1.6%	1.4%	0.4%	18.6%

	Millions of yen				
Year ended December 31, 2009	Asia	North America	Europe	Other	Total
Overseas sales	¥16,319	¥2,448	¥1,206	¥154	¥ 20,129
Consolidated net sales					140,033
Percentage of overseas sales to consolidated net sales	11.7%	1.7%	0.9%	0.1%	14.4%

22. Amounts per Share

The following table sets forth net income, cash dividends and net assets per share of common stock as of and for the years ended December 31, 2010 and 2009:

	Yen		U.S. dollars
Year ended December 31,	**2010**	2009	**2010**
Net income:			
Basic	¥ 52.05	¥ 13.85	$0.64
Cash dividends	9.00	6.00	0.11
Net assets	437.17	394.03	5.36

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid as described in Note 2 (m).

23. Subsequent Events

Cash dividends

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2010 as described in Note 2 (m), was approved at a shareholders' meeting held on March 30, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends – ¥5.5 (U.S.$0.067) per share	¥1,387	$17,026

Execution of share exchange agreement

The Company and Aronkasei Co., Ltd. ("Aronkasei") passed a resolution to make Aronkasei a wholly-owned subsidiary of the Company through a share exchange at both companies board of director's meetings on February 10, 2010 and a share exchange agreement was subsequently entered into.

1. Purpose of share exchange

The Company considers that the conversion of Aronkasei into a wholly-owned subsidiary will enable prompt management decision-making and efficient business operations. In addition, through sharing information with the Company in terms of research and technology development, sales development, manufacturing technology and management systems and closer cooperation with management resources, expansion of business and more efficient operations will be realized.

2. Share exchange methodology

The Company will become the wholly owning parent company in a share exchange with Aronkasei, and Aronkasei will become a wholly-owned subsidiary. The Company is scheduled to implement the share exchange without obtaining the approval at a shareholders' meeting using a simplified share exchange procedure under Article 796, paragraph 3 of the Companies Atc. Aronkasei obtained approval of the share exchange agreement at its ordinary shareholders' meeting on March 25, 2011.

3. Scheduled effective date of the share exchange

July 1, 2011

4. Details of the allocation of shares associated with the share exchange

For every one share of Aronkasei common shares, 1.25shares of the Company's common stock will be allocated.

5. Number of shares to be delivered through the share exchange

The Company will provide 19,472,501 common shares through the share exchange, and these shares are scheduled to be appropriated from treasury shares held by the Company. In case of any shortfall due to appropriation of treasury shares, new common shares are scheduled to be issued.

Acquisition of treasury stock

The board of directors' on February 10, 2011 passed a resolution on the acquisition of treasury stock by the Company pursuant to the provision of the Article 156 of the Companies Act, which is applied by replacement in accordance with the provision of Article 165, paragraph 3 of said Act.

1. Grounds for conducting acquisition of treasury stock

The Company by resolution at the board of directors' meeting held on February 10, 2011, decided to make Aronkasei a wholly-owned subsidiary of the Company through a share exchange. The purpose of the acquisition of treasury stock is to acquire shares of the Company to be allocated to eligible shareholders of Aronkasei in carrying out the share exchange agreement and to enable flexible capital management policies corresponding to changes in the business environment.

2. Details concerning matters related to acquisition

(1) Class of shares to be acquired: Common stock of the Company
(2) Total number of shares to be acquired: Up to a maximum of 12,000,000 shares
(3) Total purchase price of shares to be acquired: Up to a maximum of ¥5 billion
(4) Period of acquisition: February 14, 2011 through December 22, 2011

Report of Independent Auditors

The Board of Directors
Toagosei Co., Ltd.

We have audited the accompanying consolidated balance sheets of Toagosei Co., Ltd. and consolidated subsidiaries as of December 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 Toagosei Co., Ltd. and consolidated subsidiaries at December 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.

Supplemental Information

(1) As described in Note 22 "Subsequent Events," the Company, by resolution at the board of directors' meeting held on February 10, 2011, decided to make Aronkasei Co., Ltd. a wholly-owned subsidiary of the Company through a share exchange.
(2) As described in Note 22 "Subsequent Events," the Company announced that, at the board of directors' meeting held on February 10, 2011, the board of directors of the Company passed a resolution on the acquisition of treasury stock.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 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 3.

Ernst & Young ShinNihon LLC

March 30, 2011

A member firm of Ernst & Young Global Limited

Corporate Data

Organization (As of April 1, 2011)

- General Meeting of Shareholders
- Board of Directors
- Chairman
- President

Corporate Management

Corporate Strategy Department
- Planning Group
- Secretariat Group

Technology Administrative Department
- Technology Administrative Group
- Quality Assurance Group
- Environment & Safety Group
- Technical Training Center
- Productive Technology Center

Research & Development Administration Department
- R&D Planning Group
- Intellectual Property Group
- Institute for Advanced Sciences

General Center of R&D
- R&D Support Section
- Base Technology Center

Administrative Department
- Internal Control Section
- General Affairs & Legal Group
- Investor Relations & Public Relations Section
- Personnel Affairs Group
- Finance Group
- Information System Group

Supply Chain Management Department
- Purchasing Group
- Sales Administrative Group

Operations Management

Commodity Chemicals Department
- Chlorine & Alkali Products and Sulfuric Acid Group
- High Purity Inorganic Products Group
- Commodity Chemicals Research Laboratory

Acrylic Products Department
- Monomer & Oligomer Group
- Polymer & Photopolymer Group
- Macromolecular Material Research Laboratory

Functional Chemicals Department
- Adhesives Group
- Construction Products Group
- Functional Chemicals Laboratory

Advanced Chemicals Department
- Amenity Care Materials Group
- New Materials Group
- New Materials Laboratory

Tokyo Sales Department
- Commodity Chemicals Group
- Acrylic Products Group
- Functional Chemicals Group
- Advanced Chemicals Group
- Sapporo Sales Office

Osaka Branch
- General Affairs Group
- Commodity Chemicals Group
- Acrylics & Functional Chemicals Group
- Shikoku Sales Office
- Fukuoka Sales Office

Nagoya Branch
- General Affairs Group
- Commodity Chemicals Group
- Acrylics & Functional Chemicals Group
- Electronic-related Chemicals Group

Nagoya Plant
- Administrative Department
- Manufacturing Department I
- Manufacturing Department II

Tokushima Plant

Takaoka Plant

Sakaide Plant

Kawasaki Plant

Corporate Auditor Section

Directory

Domestic Network

Head Office
1-14-1 Nishi-Shimbashi, Minato-ku,
Tokyo 105-8419
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Naka-ku, Nagoya 460-0003
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Nagoya Plant
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Nagoya 455-0026
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Tokushima 771-0188
Tel: 088-665-2111 Fax: 088-665-6321

Takaoka Plant
2-1-3 Fushiki, Takaoka, Toyama 933-0195
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Sakaide Plant
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Kawasaki Plant
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Kawasaki 210-0862

General Center of R&D
8 Showacho, Minato-ku, Nagoya 455-0026
Tel: 052-611-9901 Fax: 052-611-1693

Institute for Advanced Sciences
2 Okubo, Tsukuba, Ibaraki 300-2611
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Principal Overseas Subsidiaries

Toagosei Hong Kong Limited
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Tel: 852-2763-1086 Fax: 852-2763-1798

Taiwan Toagosei Co., Ltd.
10F-1, No.189, Keelung Rd., Sec2, Taipei,
Taiwan, R.O.C.
Tel: 886-2-8732-3677 Fax: 886-2-2378-9036

Toagosei America Inc.
1450 West Main St., West Jefferson,
Ohio 43162, U.S.A.
Tel: 1-614-718-3855 Fax: 1-614-718-3866

Toagosei Singapore Pte Ltd.
460 Alexandra Road PSA Building #22-04
Singapore, 119963
Tel: 65-6273-0800 Fax: 65-6273-0500

TOA-DIC Zhangjiagang Chemical Co., Ltd.
20 Chanjiang Road, Jiangsu Yangtze River,
International, Chemical Industrial Park,
Zhangjiagang, Jiangsu Province, 215635 China
Tel: 86-512-5893-7320 Fax: 86-512-5893-7321

Toagosei (Zhuhai) Limited
3/F., No.2, Factory Bldg., Xiangzhou Ind. Park of
Science & Technology, Meihua Road, Zhuhai,
Guangdong, P. R. China
Tel: 86-756-850-8810 Fax: 86-756-850-8906

Principal Subsidiaries and Affiliates (As of December 31, 2010)

Name of Company	Lines of Business	Our Share (%)	Capital (¥ in millions)
Aronkasei Co., Ltd.	Manufacture & sale of synthetic resin molded products	61.1	¥4,220
Tsurumi Soda Co., Ltd.	Manufacture of chemical products	100.0	¥2,080
Aron Ever-Grip Ltd.	Manufacture of adhesives	100.0	£223,000
Oita Chemical Co., Ltd.	Manufacture of chemical products	90.0	¥450
Toagosei America Inc.	Manufacture & sale of chemical products; technological research	100.0	US$6,100,000
Nihon Junyaku Co., Ltd.	Manufacture of chemical products	100.0	¥351
TG Corporation	Sale of chemical products	100.0	¥174
Toa Logistics Co., Ltd.	Product distribution	100.0	¥16
TOA Engineering Co., Ltd.	Construction & repair of chemical facilities	100.0	¥50
Toa Techno-Gas Co., Ltd.	Manufacture & sale of industrial gases	100.0	¥400
Toa Business Associe Co., Ltd.	Real estate management, brokerage & other services	100.0	¥40
Toa-Jet Chemical Co., Ltd.	Manufacture & sale of chemical products	51.0	NT$15,000,000
Toa Kogyo Co., Ltd.	Product distribution	100.0	¥25
Taiwan Toagosei Co., Ltd.	Sale of chemical products	100.0	NT$5,000,000
Aron Packaging Co., Ltd.	Filling & packaging of adhesives	100.0	¥10
Toagosei Singapore Pte Ltd.	Manufacture & sale of chemical products	100.0	S$60,571,000
Hokuriku Toa Logistics Co., Ltd.	Product distribution	90.0	¥10
Shikoku Toa Logistics Co., Ltd.	Product distribution	70.0	¥10
TOA-DIC Zhangjiagang Chemical Co., Ltd.	Manufacture & sale of chemical products	60.0	US$5,600,000
Toagosei Hong Kong Limited	Sale of chemical products	100.0	HK$10,988,000
Toagosei (Zhuhai) Limited	Manufacture & sale of adhesives	100.0	HK$9,188,000
MT AquaPolymer, Inc.	Manufacture & sale of chemical products	51.0	¥460
Mikuni Plastics Co., Ltd.	Manufacture & sale of synthetic resin molded products	61.1	¥315
MT Ethylene Carbonate Co., Ltd.	Manufacture of chemical products	90.0	¥480
Chubu Liquid Oxygen Co., Ltd. (Note)	Manufacture of industrial gases	30.0	¥480
Elmer's & Toagosei Co. (Note)	Sale of adhesives	50.0	US$32,834,000

Note: Equity-method affiliates

Investor Information

Established

March 1942

Common Stock

Authorized: 550,000,000 shares

Issued: 263,992,598 shares

Capital: ¥20,886 million

Number of shareholders: 23,618

Listings: Common stock listed on the first section of the Tokyo Stock Exchange

Transfer Agent for Common Stock

The Chuo Mitsui Trust and Banking Co., Ltd.

3-33-1 Shiba, Minato-ku, Tokyo 105-8574

Certified Accountants

Ernst & Young ShinNihon LLC

Hibiya Kokusai Bldg., 2-2-3 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011

Major Shareholders

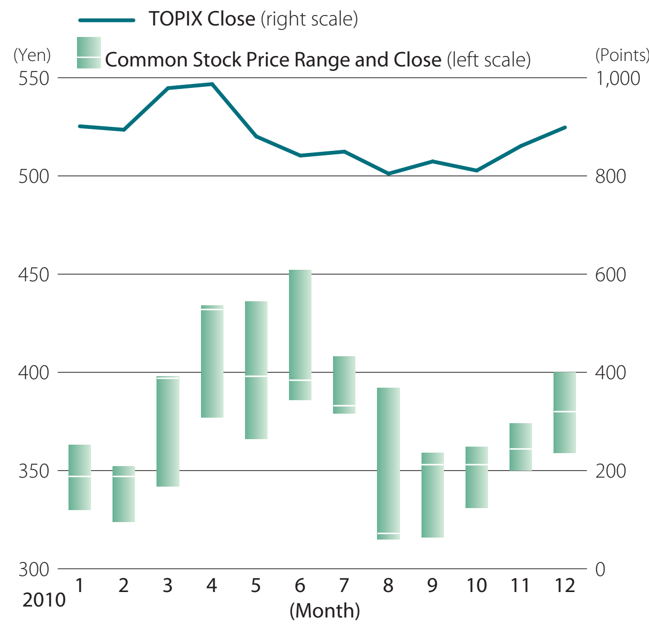
	(%)
Japan Trustee Services Bank, Ltd. (Trust account)	6.91
Sumitomo Mitsui Banking Corp.	4.61
The Master Trust Bank of Japan, Ltd. (Trust account)	4.19
Business Partner Shareholders' Committee	2.69
Employee Shareholders' Committee	2.24
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.24
Aioi Nissay Dowa Insurance Co., Ltd.	1.98
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.82
The Norinchukin Bank	1.56
Mitsui Life Insurance Co., Ltd.	1.45

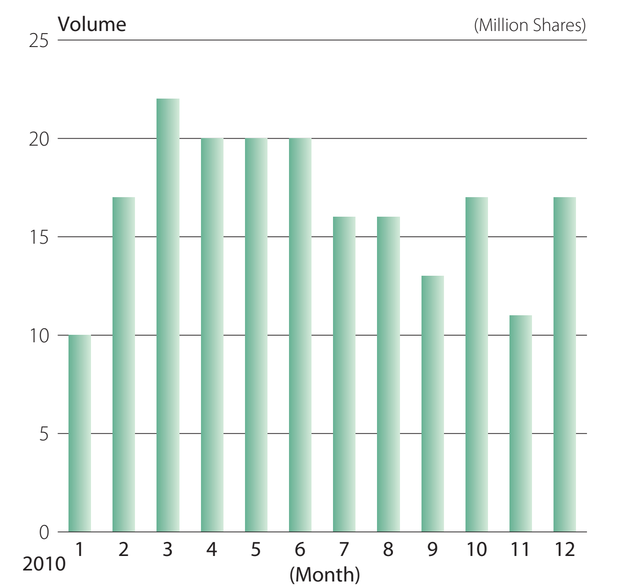
(As of December 31, 2010)

Stock Price Range & Trading Volume

(Tokyo Stock Exchange)

	2006	2007	2008	2009	2010
High	¥672	¥510	¥456	¥364	¥452
Low	¥406	¥345	¥156	¥199	¥315
TOPIX Close (Year-end)	1,681	1,475	859	907	898





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