

**Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2011**  
**<Under Japanese GAAP>**

January 31, 2011

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

**NAGASE & CO., LTD.**

Stock exchange listing: Tokyo, Osaka (First Sections)

Code number: 8012 (<http://www.nagase.co.jp>)

Representative: Hiroshi Nagase, Representative Director and President

Contact: Masanori Furukawa, Manager, Corporate Accounting Division

Filing of Quarterly Report (scheduled): February 10, 2011

Start of distribution of dividends (scheduled): —

Supplementary documents or quarterly financial results: No

Quarterly investors' meeting: No

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

**1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2011**  
**(April 1, 2010 to December 31, 2010)**

(1) Consolidated Operating Results (Percentages represent changes compared with same period of the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the third quarter ended								
December 31, 2010	499,316	13.3	15,548	64.6	17,019	62.9	10,502	84.9
December 31, 2009	440,545	(23.4)	9,448	(21.1)	10,447	(21.8)	5,680	(5.6)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the third quarter ended		
December 31, 2010	81.70	—
December 31, 2009	44.18	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2010	387,713	207,868	51.6	1,557.95
March 31, 2010	368,088	202,753	53.1	1,519.61

(Reference) Equity capital: As of December 31, 2010: ¥200,220 million As of March 31, 2010: ¥195,344 million

**2. Dividends**

(Record date)	Dividends per share				
	1Q	Interim	3Q	Fiscal Year-End	Annual
For the year ending	Yen	Yen	Yen	Yen	Yen
March 31, 2010	—	7.00	—	9.00	16.00
March 31, 2011	—	9.00	—		
March 31, 2011 (estimate)				9.00	18.00

Note: Revisions to projected dividends during the three months ended December 31, 2010: No

**3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2011**  
**(April 1, 2010 to March 31, 2011)**

(Percentages represent changes compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal 2010 (Full fiscal year)	655,000	8.5	18,000	37.1	19,600	33.2	12,000	59.2	93.35

Note: Revisions to projected consolidated results during the three months ended December 31, 2010: No

**4. Other** (For details, please see “2. Others” on page 4.)

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None  
New: — (Company name:                    )        Excluded: — (Company name:                    )
- (2) Application of simplified accounting methods or special accounting methods to the preparation of quarterly financial statements: No
- (3) Changes in accounting principles, procedures and presentation methods in connection with the preparation of consolidated financial statements  
(Recorded under “Changes in significant items considered fundamental to the preparation of consolidated financial statements.”)
- i.        Changes in accordance with revisions to accounting and other standards: Yes
- ii.       Changes in items other than (i) above: No
- (4) Number of shares issued and outstanding (common stock)
- i.    Number of shares issued and outstanding as of the fiscal period end (including treasury stock)
- |                          |                    |
|--------------------------|--------------------|
| As of December 31, 2010: | 138,408,285 shares |
| As of March 31, 2010:    | 138,408,285 shares |
- ii.    Number of treasury stock as of the fiscal period end
- |                          |                  |
|--------------------------|------------------|
| As of December 31, 2010: | 9,892,916 shares |
| As of March 31, 2010:    | 9,859,357 shares |
- iii.    Average number of shares during the period:
- |                                      |                    |
|--------------------------------------|--------------------|
| Nine months ended December 31, 2010: | 128,541,498 shares |
| Nine months ended December 31, 2009: | 128,554,478 shares |

**Indication of quarterly review procedure implementation status**

This quarterly earnings report is exempt from the quarterly review procedure based upon the Financial Instruments and Exchange Act. Furthermore, quarterly consolidated financial statements were undergoing the review procedure process at the time of release.

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

The results forecasts presented in this document are based upon currently available information and assumptions deemed rational. A variety of factors could cause actual results to differ materially from forecasts. Please refer to “Qualitative Information on Projected Consolidated Results” in the “Qualitative Information and Financial Statements” on page 4.

# 1. Qualitative Information and Financial Statements

## (1) Qualitative Information and Overview of Consolidated Business Results

### a. General Summary of Results

During the period under review, the Japanese economy remained steady owing to the positive effect of the government's economic policies and active demand in Asia, primarily in China. This occurred despite the significant impact of the strong yen.

Reflecting these circumstances, domestic sales for the third quarter rose 11.2 percent compared with the corresponding period of the previous fiscal year to ¥295.18 billion and overseas sales increased 16.6 percent to ¥204.12 billion. Total net sales for the period under review were ¥499.31 billion, up 13.3 percent year on year.

On the earnings front, operating income jumped 64.6 percent to ¥15.54 billion and ordinary income increased 62.9 percent to ¥17.01 billion due to the increase in net sales. As a result, net income for the third quarter of the fiscal year under review surged 84.9 percent year on year to ¥10.50 billion.

### b. Segment Summary

**[Chemicals] Sales: ¥190.02 billion, a 9.6 percent increase from the same period of the previous fiscal year**

Such factors as a recovery in demand in the chemicals industry overall affected Nagase's chemical businesses across the board. Reflecting this, sales improvements were recorded by the performance chemicals business, which handles coating materials, urethane materials, plastic raw materials and additives; the colors and imaging business, which handles dyestuffs, pigments, digital print processing materials, functional dyes and other products related to color; and the speciality chemicals business, which handles a wide range of materials such as surfactants, industrial oil solutions, organic synthesis materials and sealants, which have applications related to fluorochemicals and are used by the semiconductor industry. Overseas, sales in other regions increased despite decreased printing-related sales in South China. Consequently, overall sales in this segment rose.

**[Plastics] Sales: ¥167.26 billion, a 20.4 percent increase from the same period of the previous fiscal year**

During the period under review, although domestic sales of functional film and sheet molding-related products fell, sales of materials for office automation equipment, consumer electronics and automotives grew substantially on the back of strong exports. Overseas sales of materials for office automation equipment, consumer electronics and automotives increased significantly in all regions. As a result, overall sales in this segment noticeably improved.

**[Electronics] Sales: ¥103.56 billion, a 20.8 percent increase from the same period of the previous fiscal year**

Sales of display-related products, including LCD films and touch-panel components, grew substantially owing to an increase in new commodity items. In addition, sales of precision abrasive materials for the hard disk and semiconductor industries improved as did sales of chemicals used in manufacturing LCDs and semiconductors, reflecting favorable demand. The epoxy business also grew substantially, owing to a recovery in applications related to heavy electric machinery and strong demand for such mobile phones as smartphones. Despite sales in Southeast Asia remaining on par with the previous year, overseas sales in all other regions showed considerable growth. Consequently, overall sales in this segment increased drastically.

**[Life Sciences] Sales: ¥37.75 billion, a 9.1 percent decrease from the same period of the previous fiscal year**

In the Life Sciences segment, sales of enzymes and fermentation products in the fine chemicals business remained unchanged due to a delay in the results of related development projects. Sales in the pharmaceutical industry—which mainly handles pharmaceutical intermediates—and living commodities—which include food additives—declined. Sales in the Beauty Care products business, which handles cosmetics and health foods, remained the same as last year, while overall sales decreased.

**[Other] Sales: ¥0.70 billion, a 19.8 percent decrease from the same period of the previous fiscal year**

No specific items to report in this segment during the period under review

## **(2) Qualitative Information on Consolidated Financial Position**

### **Assets, Liabilities and Net Assets**

Total assets increased ¥19.62 billion to ¥387.71 billion during the period under review, in spite of such factors as a decrease in property, plant and equipment stemming mainly from the impact of depreciation and amortization, and a fall in investment securities' market value following a drop in share prices. This improvement was primarily attributable to increases in notes and accounts receivable and inventories due to a growth of sales.

Total liabilities amounted to ¥179.84 billion, up ¥14.5 billion from the previous fiscal year-end mainly due to increases in notes and accounts payable and short-term loans in the wake of a rise in purchases. This result occurred despite such factors as a decrease in deferred tax liabilities.

Net assets rose ¥5.11 billion from the previous fiscal year-end to ¥207.86 billion primarily because of a rise in retained earnings. This increase took place in spite of such factors as a downturn of foreign currency translation adjustments caused by the ongoing strength of the yen.

As a result, the net worth ratio fell 1.5 percentage points to 51.6 percent compared with the previous fiscal year-end's 53.1 percent.

### **Cash Flows**

Net cash provided by operating activities was ¥4.45 billion. This was mainly attributable to ¥16.98 billion in income before income taxes and minority interests, which offset an increase in working capital due to a rise in notes and accounts receivable and inventories stemming from sales expansion.

Net cash used in investing activities totaled ¥6.79 billion, reflecting such factors as purchases of property, plant and equipment.

Net cash provided by financing activities amounted to ¥2.24 billion due to an increase in short-term loans. This occurred in spite of such factors as the payment of dividends.

Including a ¥0.96 billion decrease in exchange rate changes for cash and cash equivalents in the wake of currency rate fluctuations, the balance of cash and cash equivalents as of December 31, 2010 was ¥41.98 billion, a decrease of ¥0.82 billion from the end of the previous fiscal year.

## **(3) Qualitative Information on Projected Consolidated Results**

The projected full-year consolidated results for fiscal 2011 announced on October 29, 2010 have not been revised.

## **2. Others**

### **(1) Changes in Significant Consolidated Subsidiaries**

No

### **(2) Application of Accounting Methods for Quarterly Consolidated Financial Statements That Are Simplified or Extraordinary**

No

### **(3) Outline of Changes in Significant Accounting Policies, Procedures and Presentation:**

(i) From the first quarter of the fiscal year ending March 31, 2011, Nagase has applied the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16, March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ PITF No. 24, March 10, 2008).

This change has had no impact on consolidated operating income and ordinary income.

(ii) From the first quarter of the fiscal year ending March 31, 2011, Nagase has applied the "Accounting Standard for Asset Retirement Obligation" (ASBJ Statement No. 18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008).

This change has had no impact on consolidated operating income and ordinary income.

(iii) From the first quarter of the fiscal year ending March 31, 2011, Nagase has applied the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, December 26, 2008), "Partial Amendments to Accounting Standard

for Research and Development Costs” (ASBJ Statement No. 23, December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, released December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).