

# Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2012

## <Under Japanese GAAP>

July 29, 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): August 11, 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 First Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to June 30, 2011)

(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 first quarter ended June 30, 2011	154,429	(4.6)	4,194	(25.3)	5,358	(16.6)	3,191	(7.0)
June 30, 2010	161,896	23.1	5,611	248.6	6,425	209.9	3,430	244.0

(Note) Comprehensive income: First quarter ended June 30, 2011: ¥4,272 million (497.2%)  
First quarter ended June 30, 2010: ¥715 million (NA)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the first quarter ended June 30, 2011	24.83	—
June 30, 2010	26.69	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio
	Millions of yen	Millions of yen	%
June 30, 2011	378,343	211,472	53.8
March 31, 2011	375,336	209,316	53.7

(Reference) Equity capital: As of June 30, 2011: ¥203,691 million  
As of March 31, 2011: ¥201,516 million

## 2. Dividends

	Dividends per share				
	1Q	Interim	3Q	Fiscal Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
For the year ended (or ending) March 31, 2011	—	9.00	—	13.00	22.00
March 31, 2012	—	—	—	—	—
March 31, 2012 (estimate)	—	12.00	—	12.00	24.00

Note: Revisions to the latest projected dividends: No

## 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2012 (April 1, 2011 to March 31, 2012)

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

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	315,000	(4.9)	7,700	(26.9)	8,500	(25.2)	5,400	(21.2)	42.02
Full fiscal year	660,000	(0.0)	18,000	(3.9)	19,000	(7.9)	12,000	(6.4)	93.37

Note: Revisions to the latest projected consolidated results: No

#### 4. Other

(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 special accounting methods to the preparation of quarterly financial statements: No

(3) Changes in accounting principles, changes in accounting estimates, and restatement of prior period financial statements after error corrections

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

(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 June 30, 2011: 138,408,285 shares
  - As of March 31, 2011: 138,408,285 shares
- ii. Number of treasury stock as of the fiscal period end
  - As of June 30, 2011: 9,893,783 shares
  - As of March 31, 2011: 9,893,808 shares
- iii. Average number of shares during the period:
  - Three months ended June 30, 2011: 128,514,523 shares
  - Three months ended June 30, 2010: 128,548,463 shares

#### Indication of quarterly review procedure implementation status

This quarterly 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 1. Qualitative Information and Financial Statements, subsection (3) Qualitative Information on Projected Consolidated Results on page 4 of this document.

# 1. Qualitative Information and Financial Statements

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

### a. General Summary of Results

After the Great East Japan Earthquake, the Japanese economy experienced stagnant production and disruption in supply chains. Although some signs of recovery were seen in line with nationwide restoration efforts, the overall economy stayed weak during the period under review.

In such an environment, domestic sales for the first quarter decreased 7.5% compared with the corresponding period of the previous fiscal year to ¥89.75 billion, and overseas sales dropped 0.3% year on year to ¥64.67 billion. Net sales fell 4.6% to ¥154.42 billion.

On the earnings front, operating income declined 25.3% year on year to ¥4.19 billion. Ordinary income sank 16.6% to ¥5.35 billion, and net income decreased 7.0% to ¥3.19 billion. Decreases in these earnings items were largely attributable to a decline in net sales.

### b. Segment Summary

From the quarter under review, Nagase made partial changes to its reportable segments. Accordingly, the amounts and percentage figures relating to the first quarter of the previous fiscal year are presented pro forma using the new segmentation.

#### [Chemicals] Sales: ¥65.41 billion, a 5.0% decrease (year on year)

In the performance chemicals business, sales of urethane materials to the automobile industry declined. Sales of plastic raw materials and additives remained flat, while sales of paint materials for use in building materials increased. In the color and imaging business, although sales of pigments and additives increased, sales of functional color pigments for display-related applications and dyestuffs and fiber-processing agents for the fiber-processing industry declined. In the speciality chemicals business, sales of surfactants and raw materials for industrial oil solutions were robust. However, sales of precision abrasive materials, organic synthesis materials and fluorochemicals were all stagnant. As a result, segment sales declined.

#### [Plastics] Sales: ¥52.47 billion, a 0.6% decrease (year on year)

Domestic sales to office automation and consumer electronics businesses edged down. Domestic sales of automotive materials and products declined, owing to a decrease in automobile production. In businesses focusing on functional films and sheets and plastic molding products, sales of our mainstay and other products dropped. In contrast, sales showed slight increases in Southeast Asia and North America. However, sales in Northeast Asia fell slightly, causing total overseas sales to remain flat. As a result, segment sales decreased slightly from the corresponding period of the previous fiscal year.

#### [Electronics] Sales: ¥24.45 billion, a 9.7% decrease (year on year)

Sales of materials for LCD films and touch panels expanded. Sales of chemicals used to manufacture semiconductors and LCD panels declined, reflecting a decrease in demand from Nagase's major customers. Sales of formulated epoxy resins were robust and accordingly increased, particularly for applications in heavy electric machinery and mobile phones. Although overall overseas performance was brisk, segment sales declined, reflecting Nagase's withdrawal from an LCD-related materials processing business in Japan.

#### [Life Sciences] Sales: ¥11.86 billion, an 8.5% decrease (year on year)

In the fine chemicals business, sales of pharmaceutical products manufactured by Nagase Medicals Co., Ltd. were robust. However, sales of agricultural chemicals and products for living environments dropped significantly, while sales of pharmaceutical raw materials and intermediates, enzymes and fermentation products declined across the board. Consequently, fine chemicals business sales fell from the corresponding period of the previous fiscal year. In the beauty care products business, which handles cosmetics and health foods, sales of our new products launched in the previous fiscal year stalled. Furthermore, sales in this business were stagnant, reflecting a general hesitance among consumers to buy when anticipating new releases. As a result, segment sales declined.

**[Other] Sales: ¥0.21 billion, a 3.5% decrease (year on year)**  
No specific items to report in this segment during the year under review

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

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

Total assets as of June 30, 2011 increased ¥3.0 billion from March 31, 2011 to ¥378.34 billion. Decreases in cash and time deposits and investments in securities were more than offset by an increase in inventories, an increase in property, plant and equipment owing to capital investments.

Total liabilities increased ¥0.85 billion from March 31, 2011 to ¥166.87 billion. Decreases in accrued income taxes and provision were more than offset by increases in borrowings and notes and accounts payable.

Net assets grew ¥2.15 billion from March 31, 2011 to ¥211.47 billion, reflecting an increase in retained earnings and an improvement of foreign currency translation adjustments.

As a result, the net worth ratio rose 0.1 of a percentage point from 53.7% as of March 31, 2011 to 53.8%.

### **Cash Flows**

Net cash provided by operating activities stood at ¥0.99 billion. An increase in working capital following an increase in inventories was more than offset by income before income taxes and minority interest totaling ¥5.28 billion.

Net cash used in investing activities totaled ¥2.85 billion, mainly owing to purchases of property and equipment.

Net cash used in financing activities amounted to ¥1.26 billion, primarily due to the payment of cash dividends.

In addition to the above, Nagase recorded the effect of exchange rate changes on cash and cash equivalents, which increased ¥0.35 billion from March 31, 2011, and a ¥0.16 billion increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation. Despite these increases, the balance of cash and cash equivalents as of June 30, 2011 declined ¥2.6 billion from March 31, 2011 to ¥44.59 billion.

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

The projected full-year consolidated results for the fiscal year ending March 31, 2012, announced on April 28, 2011, have not been revised.

## **2. Others**

### **(1) Changes in major subsidiaries during the period**

No items to report

### **(2) Application of special accounting methods to the preparation of quarterly financial statements**

No items to report

### **(3) Changes in accounting principles, changes in accounting estimates, and restatement of prior period financial statements after error corrections**

No items to report

### **(4) Additional Information**

(Application of the Accounting Standard for Accounting Changes and Error Corrections, etc.)

For accounting changes and error corrections to be made to prior period financial statements after April 1, 2011, Nagase applied the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No.24 of December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No.24 of December 4, 2009).