



Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2012 <Under Japanese GAAP>

October 28, 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

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Filing of Quarterly Report (scheduled): November 11, 2011

Start of distribution of dividends (scheduled): December 5, 2011

Supplementary documents or quarterly financial results: Yes

Quarterly investors' meeting: Yes

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 to September 30, 2011)

(1) Consolidated Operating Results (Percentages represent changes compared with same period of the previous fiscal year.)
(Note: Amounts have been rounded down to the nearest million yen.)

	Net sales		Operating profit		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
For the second quarter ended September 30, 2011	308,494	(6.9)	7,794	(26.0)	9,201	(19.1)	5,402	(21.1)
September 30, 2010	331,311	17.8	10,533	100.2	11,369	96.1	6,849	121.3

(Note) Comprehensive income: Second quarter ended September 30, 2011: ¥3,669 million (74.7%)
Second quarter ended September 30, 2010: ¥2,100 million (NA)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the second quarter ended September 30, 2011	42.04	—
September 30, 2010	53.29	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Worth Ratio
	Millions of Yen	Millions of Yen	%
September 30, 2011	376,324	210,729	53.9
March 31, 2011	375,336	209,316	53.7

(Reference) Equity capital: As of September 30, 2011: ¥202,876 million
As of March 31, 2011: ¥201,516 million

2. Dividends

	Dividends per share				
	1Q	Interim	3Q	Fiscal Year End	Annual
For the year ended (or ending)	Yen	Yen	Yen	Yen	Yen
March 31, 2011	—	9.00	—	13.00	22.00
March 31, 2012	—	12.00	—	—	—
March 31, 2012 (estimate)	—	—	—	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 profit		Ordinary income		Net income		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full fiscal year	630,000	(4.6)	15,500	(17.3)	17,000	(17.6)	10,000	(22.0)	77.81

(Note) Revisions to the latest projected consolidated results: Yes

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 September 31, 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 September 30, 2011: 9,893,774 shares
 - As of March 31, 2011: 9,893,808 shares
 - iii. Average number of shares during the period:
 - Three months ended September 30, 2011: 128,514,518 shares
 - Three months ended September 30, 2010: 128,547,717 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 related to Projected Consolidated Earnings on page 3 of this document.

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1. Qualitative Information

(1) Qualitative Information and Overview of Consolidated Operating Results

General Summary of Results

During the second quarter of the current fiscal period we saw signs of production recovery in a Japanese economy that had been suffering the effects of the March 11 earthquake and tsunami. However, concerns have grown about the finances of the U.S. and Europe. The rapid valuation rise in the yen has also caused worries about downward pressure on corporate earnings. Given these factors, the future direction of the economy remains unclear.

In this business environment, Nagase & Co. domestic sales for the second quarter amounted to ¥179.92 billion (an 8.4% year-on-year decrease), while overseas sales amounted to ¥128.56 billion (a 4.8% year-on-year decrease). Net sales experienced a 6.9% decrease compared to the same period in the prior fiscal year, falling to ¥308.49 billion.

This decrease in net sales, combined with an increase in general and administrative expenses, resulted in operating profit of ¥7.79 billion, which was a 26.0% year-on-year decrease. Ordinary income and net income amounted to ¥9.2 billion (a 19.1% year-on-year decrease) and ¥5.4 billion (a 21.1% year-on-year decrease), respectively.

Segment Summary

In the first quarter of the consolidated fiscal period, the company made a partial change to its classification of reportable segments. Accordingly, we have reclassified the reportable segments of the prior cumulative second quarter to present comparative figures and ratios with the current cumulative second quarter.

[Chemicals] Sales: ¥128.43 billion (5.4% year-on-year decrease)

In the performance chemicals business, coating raw material sales increased, while sales of urethane materials to the automotive industry declined. Sales of plastic raw materials and additives experienced a slight drop. In the color and imaging business, sales of pigments and additives, as well as sales for information printing materials were mostly flat. Functional color pigments for display-related applications and fiber processing agents for the fiber processing industry experienced a decline in sales. In the specialty chemicals business, sales of surfactants and raw materials for oil industry solutions increased. Sales of precision abrasive materials, however, declined. Sales of organic synthesis materials and fluorochemicals also declined. As a result, overall sales in the Chemicals segment fell.

[Plastics] Sales: ¥105.35 billion (4.3% year-on-year decrease)

Sales to office automation and consumer electronics businesses fell with lower exports to the Chinese market. While the automobile industry has been experiencing a recovery, overall sales of automotive materials decreased. Our mainstay products in functional films and sheets and plastic molding products also experienced falling sales. Sales decreases in Southeast Asia and North America were limited to slight declines; however, the drop in sales to Northeast Asia pushed overall overseas sales down. As a result, sales in the Plastics segment fell.

[Electronics] Sales: ¥51.81 billion (12.7% year-on-year decrease)

Sales of materials for LCD films and touch panels increased. Sales of chemicals used to manufacture semiconductors and LCD panels decreased; however, sales of formulated epoxy resins experienced strong growth for applications in heavy electric machinery and mobile phones. Overseas sales were strong; however, Nagase's withdrawal from the LCD-related materials processing business served to push overall segment sales lower.

[Life Sciences] Sales: ¥22.45 billion (12.6% year-on-year decrease)

In the fine chemicals business, sales of pharmaceuticals manufactured by Nagase Medicals Co., Ltd. increased. However, pharmaceutical raw materials and intermediates, daily commodities, and agricultural chemical-related business sales decreased. Sales also declined for enzymes and fermentation products due to a decrease in Nagase ChemteX Corp. product sales.

The beauty care products business, which handles sales of cosmetics and health foods, experienced strong sales of new cosmetics launched during the second quarter; however, sales of health foods (started during the prior fiscal year) dropped. As a result, overall sales in the life sciences segment decreased.

[Other] Sales: ¥440 million (5.3% year-on-year increase)

No specific matters to report in this segment.

(2) Qualitative Information on Consolidated Financial Position

Assets, Liabilities, and Net Assets

Compared to the end of the prior consolidated fiscal year, total assets increased by ¥980 million to ¥376.32 billion. A decrease in cash and time deposits and investments in securities was offset by increases in inventories and property, plant and equipment, the result of greater capital investment.

Liabilities decreased by ¥420 million compared to the end of the prior consolidated fiscal year to ¥165.59 billion. This decrease was mainly due to decreases in trade payables and deferred tax liabilities, offset somewhat by increases in borrowings.

Net assets increased by ¥1.41 billion compared to the end of the prior consolidated fiscal year to ¥210.72 billion. Decreases in unrealized holding gains on securities and a downturn in translation adjustments were offset by increases in retained earnings.

As a result, Nagase & Co.'s net worth ratio increased by 0.2 points over the 53.7% at the end of the prior consolidated fiscal year to 53.9%.

Cash Flows

Net cash provided by operating activities for the cumulative second fiscal quarter amounted to ¥1.75 billion. This was mainly due to income before income taxes of ¥9.45 billion, offsetting increases in working capital due to increased inventories and income tax payments.

Net cash used in investing activities amounted to ¥4.9 billion, due mainly to purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥50 million. Increases in short-term loans were offset by payments of ¥1.67 billion in dividends.

In addition, the company recorded a decrease of ¥80 million in effects of exchange rate changes on cash and cash equivalents and an increase of ¥160 million for an increase in cash and cash equivalents accompanying consolidation. Accordingly, cash and cash equivalents at the end of the cumulative second quarter amounted to ¥44.07 billion, which was a ¥3.12 billion increase compared to the end of the prior consolidated fiscal year.

(3) Qualitative Information related to Projected Consolidated Earnings

A genuine recovery in Japan's automobile manufacturing is expected for the second half of the fiscal year. However, large-format TV panel production has fallen sharply, quickly shifting to smaller-format screens. The economies of Europe and America appear to be decelerating, while the economies of the emerging countries (which had been driving global growth) are losing pace due to tightened financing. The natural disaster in Thailand has impacted supply chains. As such, there are increasing fears of a downside risk originating overseas.

Nagase continues initiatives in manufacturing and functional improvements that make the most of the group's products and unique technologies in chemicals, plastics, and electronics. We are focusing on expanding our high-value-added businesses, while developing more proprietary technologies and building stronger manufacturing abilities in the areas of environment and energy and bio/life sciences. Through these efforts, we believe we can build an even stronger business foundation.

Owing to these initiatives, cumulative second quarter results outperformed plan. However, we have revised our full-year projections. We now forecast full year net sales of ¥630.0 billion (a 4.6% year-on-year decrease), operating profit of ¥15.5 billion (a 17.3% year-on-year decrease), ordinary income of ¥17.0 billion (a 17.6% year-on-year decrease), and net income of ¥10.0 billion (a 22.0% year-on-year decrease). These revisions are based on declining sales in Northeast Asia, as well as our expectations that our businesses in Thailand will be significantly affected by the disaster in that country.

On August 3, 2011 we signed a sponsorship agreement to support the reconstruction of reorganization company Hayashibara Co., Ltd. and its group companies. At present, the reconstruction plan has yet to be submitted. Until such time as the reconstruction plan has been approved, it is difficult to incorporate the impact of the plan on the Nagase Group financial status and earnings. Accordingly, we have omitted the impact of such from our earnings projections.

2. Summary Information (Other)

(1) Changes of classification of specified subsidiaries accompanied by changes in consolidation scope

No matters to report.

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements

No matters to report.

(3) Changes in accounting policies or presentation methods in consolidated financial statements

No matters to report.

(4) Additional Information

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

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) to accounting changes and error corrections made to prior period financial statements after April 1, 2011.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2011)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2011)
ASSETS		
Current assets		
Cash and time deposits	47,202	44,594
Notes and accounts receivable	186,113	182,406
Merchandise and finished goods	34,033	41,231
Work in process	531	1,096
Raw materials and supplies	2,150	2,725
Others	8,464	8,691
Less allowance for doubtful accounts	(1,191)	(947)
Total current assets	277,304	279,798
Property, plant and equipment, at cost		
Property, plant and equipment	39,916	42,293
Intangible fixed assets	3,674	3,622
Investments and other assets		
Investments in securities	50,726	46,664
Others	4,307	4,168
Less allowance for doubtful accounts	(592)	(224)
Total investments and other assets	54,441	50,609
Total property, plant and equipment	98,032	96,525
Total assets	375,336	376,324
LIABILITIES		
Current liabilities		
Notes and accounts payable	101,679	100,550
Short-term loans	15,525	17,972
Current portion of long-term debt	613	5,957
Accrued income taxes	3,947	3,436
Provision	3,599	3,417
Other	13,152	12,217
Total current liabilities	138,517	143,551
Long-term liabilities		
Long-term debt	10,555	5,488
Deferred tax liabilities	8,810	7,663
Accrued retirement benefits for employees	7,295	8,074
Other	841	816
Total long-term liabilities	27,502	22,043
Total liabilities	166,020	165,594

(Millions of yen)

	Prior Consolidated Fiscal Year (March 31, 2011)	Second Quarter, Current Consolidated Fiscal Year (September 30, 2011)
Net assets		
Shareholders' equity		
Common stock	9,699	9,699
Capital surplus	10,041	10,041
Retained earnings	181,665	185,282
Less treasury stock, at cost	(5,460)	(5,460)
Total shareholders' equity	195,946	199,562
Accumulated other comprehensive income (loss)		
Unrealized holding gain on securities	13,188	11,136
Deferred (loss) gain on hedges	(8)	1
Translation adjustments	(7,610)	(7,823)
Total accumulated other comprehensive income	5,570	3,314
Stock acquisition rights	235	112
Minority interest	7,564	7,740
Total net asset	209,316	210,729
Total liabilities and net assets	375,336	376,324

(2) Quarterly Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
 Quarterly Consolidated Statement of Income, Cumulative Second Quarter

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2010 to September 30, 2010)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2011 to September 30, 2011)
Net sales	331,311	308,494
Cost of sales	294,287	272,703
Gross profit	37,023	35,790
Selling, general and administrative expenses	26,490	27,995
Operating profit	10,533	7,794
Non-operating income		
Interest income	88	112
Divided income	592	609
Investment profit on equity method	101	159
Others	546	987
Non-operating income, total	1,328	1,869
Non-operating expenses		
Interest expenses	275	320
Others	216	141
Non-operating expenses, total	491	462
Ordinary Income	11,369	9,201
Extraordinary gains	474	497
Extraordinary losses	747	248
Income before income taxes	11,096	9,450
Income taxes	4,160	3,929
Deferred taxes	(275)	(359)
Total income taxes	3,885	3,569
Income before Minority interest	7,211	5,880
Minority interest	361	477
Net Income	6,849	5,402

Consolidated Statement of Comprehensive Income, Cumulative Second Quarter

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2010 to September 30, 2010)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2011 to September 30, 2011)
Income before minority interest	7,211	5,880
Other comprehensive loss		
Unrealized holding gain on securities	(3,572)	(2,063)
Deferred (loss) gain on hedges	(12)	9
Translation adjustments	(1,482)	(131)
Share of other comprehensive income of associates accounted for using equity method	(44)	(24)
Total other comprehensive income	(5,111)	(2,210)
Comprehensive income	2,100	3,669
Comprehensive income attributable to		
Shareholders of the Company	1,908	3,146
Minority interest	191	523

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Cumulative Second Quarter, Prior Consolidated Fiscal Year (April 1, 2010 to September 30, 2010)	Cumulative Second Quarter, Current Consolidated Fiscal Year (April 1, 2011 to September 30, 2011)
Operating activities		
Income before income taxes	11,096	9,450
Depreciation and amortization	3,126	3,324
(Increase) decrease in notes and accounts receivable	(3,766)	3,714
(Increase) decrease in inventories	(5,756)	(7,595)
Increase (decrease) in notes and accounts payable	(96)	(1,544)
Others	(270)	(1,581)
Sub total	4,332	5,767
Interest and dividends received	763	728
Interest paid	(279)	(322)
Taxes paid	(2,361)	(4,421)
Operating activities	2,455	1,752
Investing activities		
Purchases of property, plant and equipment	(3,996)	(3,450)
Others	(1,861)	(1,450)
Investing activities	(5,858)	(4,900)
Financing activities		
Increase (decrease) in short-term loans, net	3,891	2,659
Cash dividends paid	(1,156)	(1,670)
Others	(193)	(1,045)
Financing activities	2,540	(57)
Effects of exchange rate changes on cash and cash equivalents	(704)	(85)
Net increase (decrease) in cash and cash equivalents	(1,566)	(3,290)
Cash and cash equivalents at beginning of the year	42,807	47,202
Increase in cash and cash equivalents accompanying consolidation	204	165
Cash and cash equivalents at end of the year	41,445	44,076

(4) Going Concern Assumption

No matters to report.

(5) Segment Information**[SEGMENT INFORMATION]**

I Six months ended September 30, 2010

1. Sales and income (loss) per reportable segment

(Millions of yen)

	Reportable Segments					Other (Note 1)	Total	Corporate (Note 2)	Adjust- ments (Note 3)	Consolidated (Note 4)
	Chemicals	Plastics	Electronics	Life Sciences	Total					
Net sales										
Sales to customers	135,814	110,068	59,323	25,686	330,893	418	331,311	—	—	331,311
Intersegment sales and transfers	1,177	1,271	268	201	2,919	2,683	5,603	—	(5,603)	—
Total	136,992	111,339	59,592	25,888	333,812	3,102	336,915	—	(5,603)	331,311
Segment income (loss)	4,974	2,566	2,977	574	11,092	64	11,157	(956)	332	10,533

(Notes)

1. “Other” consists of business segments not included in reportable segments, including distribution services, information processing services, professional services, etc.
2. Segment income under Corporate consists of expenses not allocated to reportable segments or Other.
3. Adjustments are all intersegment eliminations.
4. Total segment income (total of Corporate and Adjustments) matches operating profit per the Quarterly Consolidated Statement of Income.

II Six months ended September 30, 2011

1. Sales and income (loss) per reportable segment

(Millions of yen)

	Reportable Segments					Others (Note 1)	Total	Corporate (Note 2)	Adjust- ments (Note 3)	Consolidated (Note 4)
	Chemicals	Plastics	Electronics	Life Sciences	Total					
Net sales										
Sales to customers	128,435	105,355	51,810	22,452	308,053	440	308,494	—	—	308,494
Intersegment sales and transfers	1,151	1,642	382	297	3,474	2,663	6,137	—	(6,137)	—
Total	129,587	106,997	52,192	22,750	311,527	3,104	314,632	—	(6,137)	308,494
Segment income (loss)	3,959	1,656	3,168	340	9,125	82	9,207	(1,801)	388	7,794

(Notes)

1. “Other” consists of business segments not included in reportable segments, including distribution services, information processing services, professional services, etc.
2. Segment income under Corporate consists of expenses not allocated to reportable segments or Other.
3. Adjustments are all intersegment eliminations.
4. Total segment income (total of Corporate and Adjustments) matches operating profit per the Quarterly Consolidated Statement of Income.
5. Matters related to changes in reportable segments

In the first quarter of the current consolidated fiscal year, the Company changed segment classifications, placing businesses dealing with precision abrasive materials, solar cell-related materials and hard disc-related materials under the “Chemicals” segment. These businesses had been included within the Electronics segment, but create more synergies under the new classification in the opinion of the Company.

We have reclassified the reportable segments for the prior consolidated fiscal year in presenting sales and income (loss) per reportable segment.

(6) Notes on significant changes in shareholders' equity

No matters to report.

(7) Significant subsequent events

No matters to report.

4. Supplementary Information**(1) Overseas sales**

Six months ending September 30, 2010 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Other	Total
I Overseas sales (millions of yen)	77,493	39,008	10,358	8,129	134,989
II Consolidated sales (millions of yen)					331,311
III Ratio of overseas sales to consolidated sales (%)	23.4	11.8	3.1	2.4	40.7

Six months ending September 30, 2011 (consolidated)

	Northeast Asia	Southeast Asia	North America	Europe & Other	Total
I Overseas sales (millions of yen)	72,971	37,198	10,809	7,587	128,566
II Consolidated sales (millions of yen)					308,494
III Ratio of overseas sales to consolidated sales (%)	23.6	12.1	3.5	2.5	41.7

(Notes)

1. Overseas sales are sales to countries other than the home countries of the Company and its consolidated subsidiaries
2. Countries/regions are determined by geographical proximity.
3. Country/regions classifications
 - (1) Northeast Asia.....Taiwan, China
 - (2) Southeast Asia.....Singapore, Thailand
 - (3) North America.....United States
 - (4) Europe & Other.....Germany