

**NAGASE**



# **Briefing Session on Financial Results for the First Half of the Fiscal Year Ending March 31, 2011**

**A technology and intelligence oriented  
company that turns wisdom into business**

**Nagase & Co., Ltd.**

**November 16, 2010**

# ◆ Contents ◆

- \* **First Half Financial Highlights for the Fiscal Year Ending March 31, 2011**
- \* **Forecast for the Fiscal Year Ending March 31, 2011 and Progress of Medium-Term Management Plan “CHANGE” 11**
- \* **Enzyme Business**

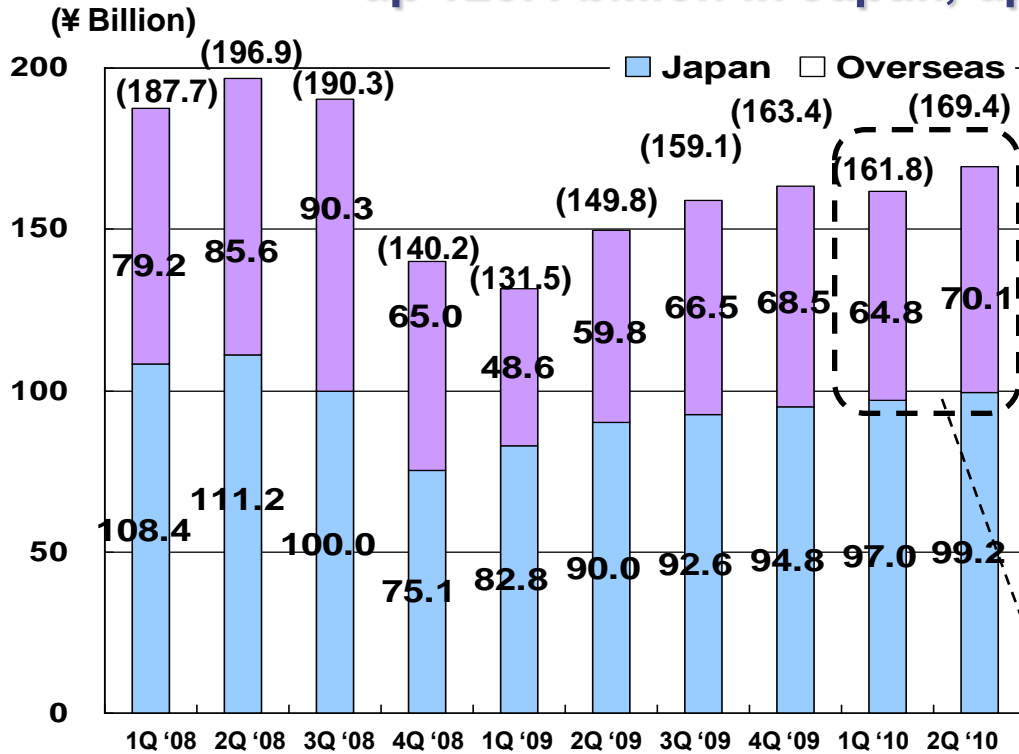
**First-Half Financial Highlights for  
the Fiscal Year Ending March 31, 2011**

**Operating income doubled as earnings recovered  
both in Japan and overseas**

(¥ Billion)

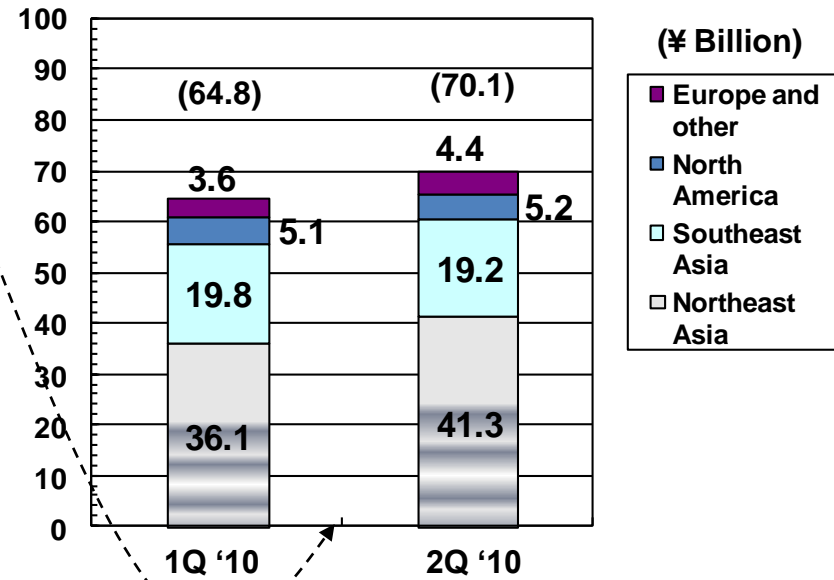
|  | 6 months to<br>Sept. 2010 | 6 months to<br>Sept. 2009 | Increase<br>(Decrease) | YoY<br>comparison |
|--|---------------------------|---------------------------|------------------------|-------------------|
| <b>Net sales</b>                       | 331.3                     | 281.3                     | +49.9                  | 118%              |
| Japan                                  | 196.3                     | 172.8                     | +23.4                  | 114%              |
| Overseas                               | 134.9                     | 108.4                     | +26.4                  | 124%              |
| <b>Gross profit</b><br>(Profit margin) | 37.0<br>(11.2%)           | 30.5<br>(10.9%)           | +6.4                   | 121%              |
| <b>SG&amp;A expenses</b>               | -26.4                     | -25.3                     | +1.1                   | 105%              |
| <b>Operating income</b>                | 10.5                      | 5.2                       | +5.2                   | 200%              |
| <b>Ordinary income</b>                 | 11.3                      | 5.7                       | +5.5                   | 196%              |
| <b>Net income</b>                      | 6.8                       | 3.0                       | +3.7                   | 221%              |

**Net sales: ¥331.3 billion, up ¥49.9 billion of year-ago level, of which, up ¥23.4 billion in Japan, up ¥26.4 billion in overseas**

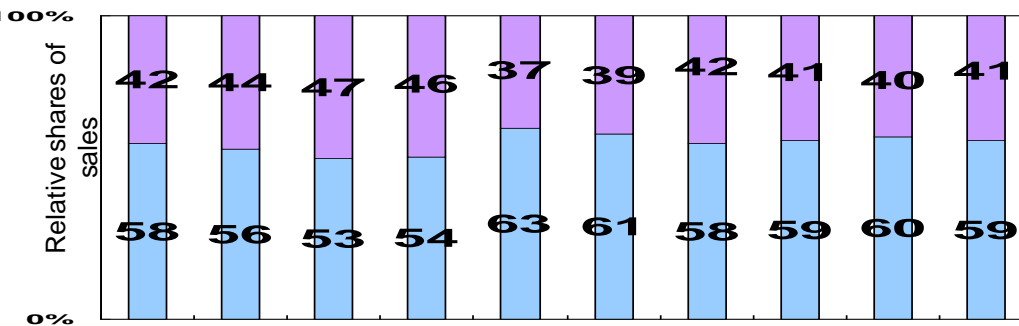


Exchange rate movements had a large impact overseas, where sales continued to recover from the synchronous global recession triggered by the financial crisis.

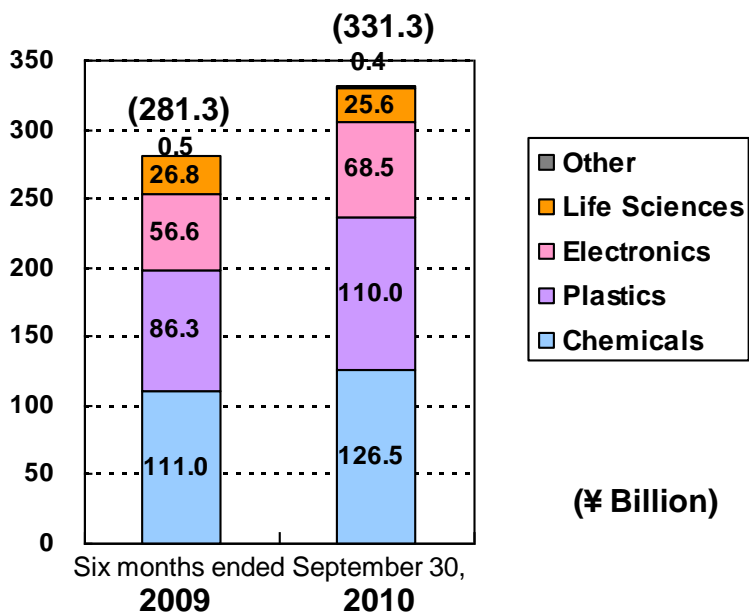
Breakdown of overseas sales by region



Overseas markets accounted for some 40% of sales



## Sales by Business Segment (Year-on-year Comparison)



### Chemicals up ¥15.5 billion (114% of year ago level)

- Sales grew across all departments amid growth in overall chemical demand

### Plastics up ¥23.7 billion (128% of year ago level)

- Overseas sales grew across all regions
- Domestic sales benefited from growth in demand for automotive, office equipment, and consumer electronics applications
- Sales of functional film and sheets and molded sheet products declined

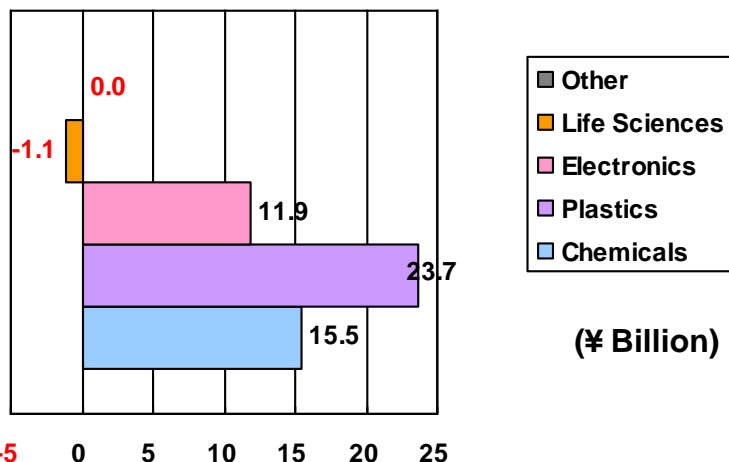
### Electronics up ¥11.9 billion (121% of year ago level)

- Sales of display-related products increased substantially, bolstered by growth in new product sales
- Sales of precision abrasives grew by virtue of robust demand for chemicals for semiconductor and LCD production
- Sales of formulated epoxy resins also grew substantially, fueled by resurgent automotive demand and strong demand from mobile phone makers

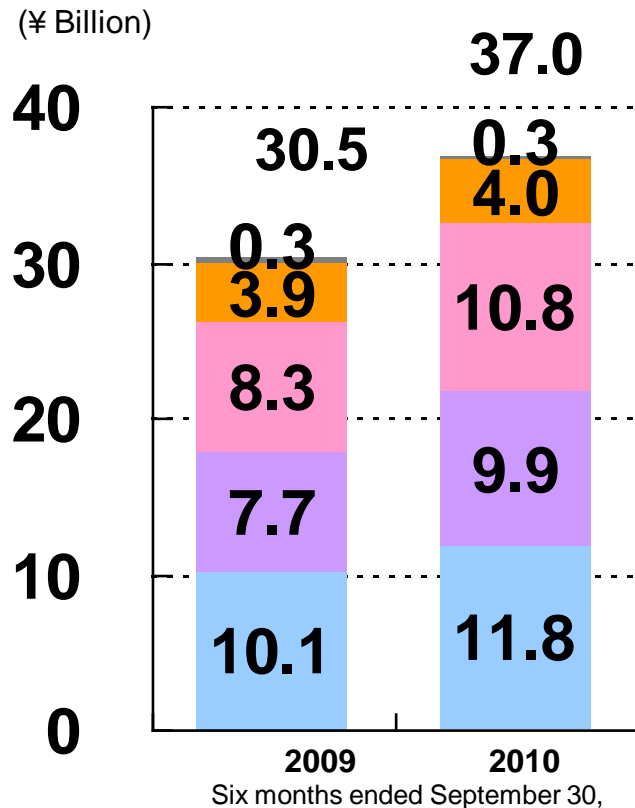
### Life Sciences down ¥1.1 billion (96% of year ago level)

- Sales of cosmetics and health foods fell slightly as strong new product sales failed to offset a decline in existing products' sales
- In the fine chemicals business, overall sales fell slightly despite sales growth in the enzyme business and new contracts in the pharmaceuticals business

### Increase/Decrease in Sales by segment



**Gross Profit: ¥37.0 billion, up ¥6.4 billion  
(121% of year-ago level)**



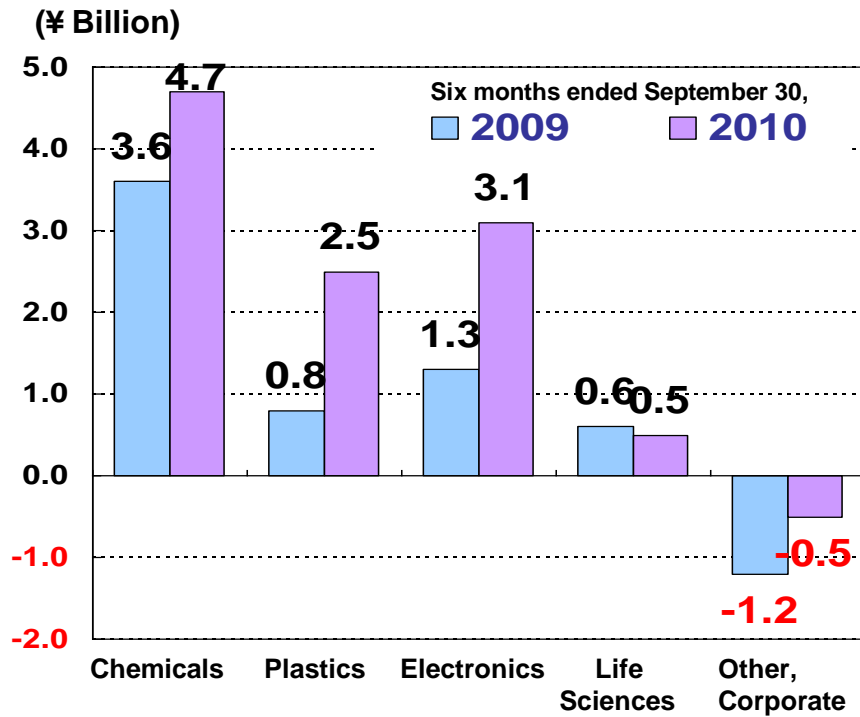
**Overview of Profit by Business Segment  
(Year-on-Year Comparison)**

|               |                      |
|---------------|----------------------|
| Chemicals     | +¥1.7 billion (117%) |
| Plastics      | +¥2.1 billion (127%) |
| Electronics   | +¥2.4 billion (130%) |
| Life Sciences | +¥0.1 billion (103%) |

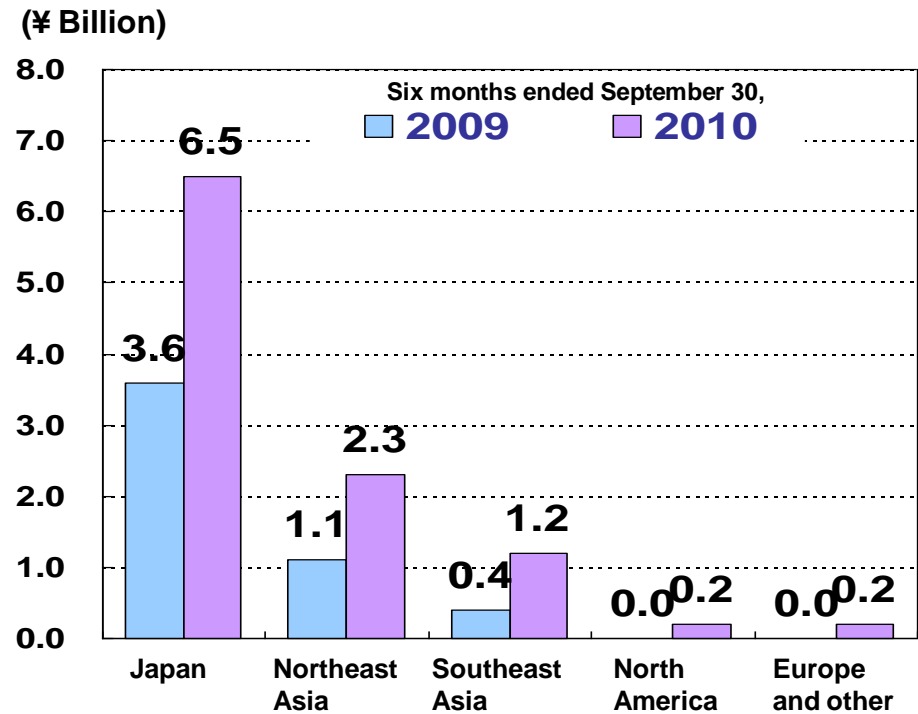


## Operating Income: ¥10.5 billion, up ¥5.2 billion (200% year-ago level)

### Operating Income by Business Segment

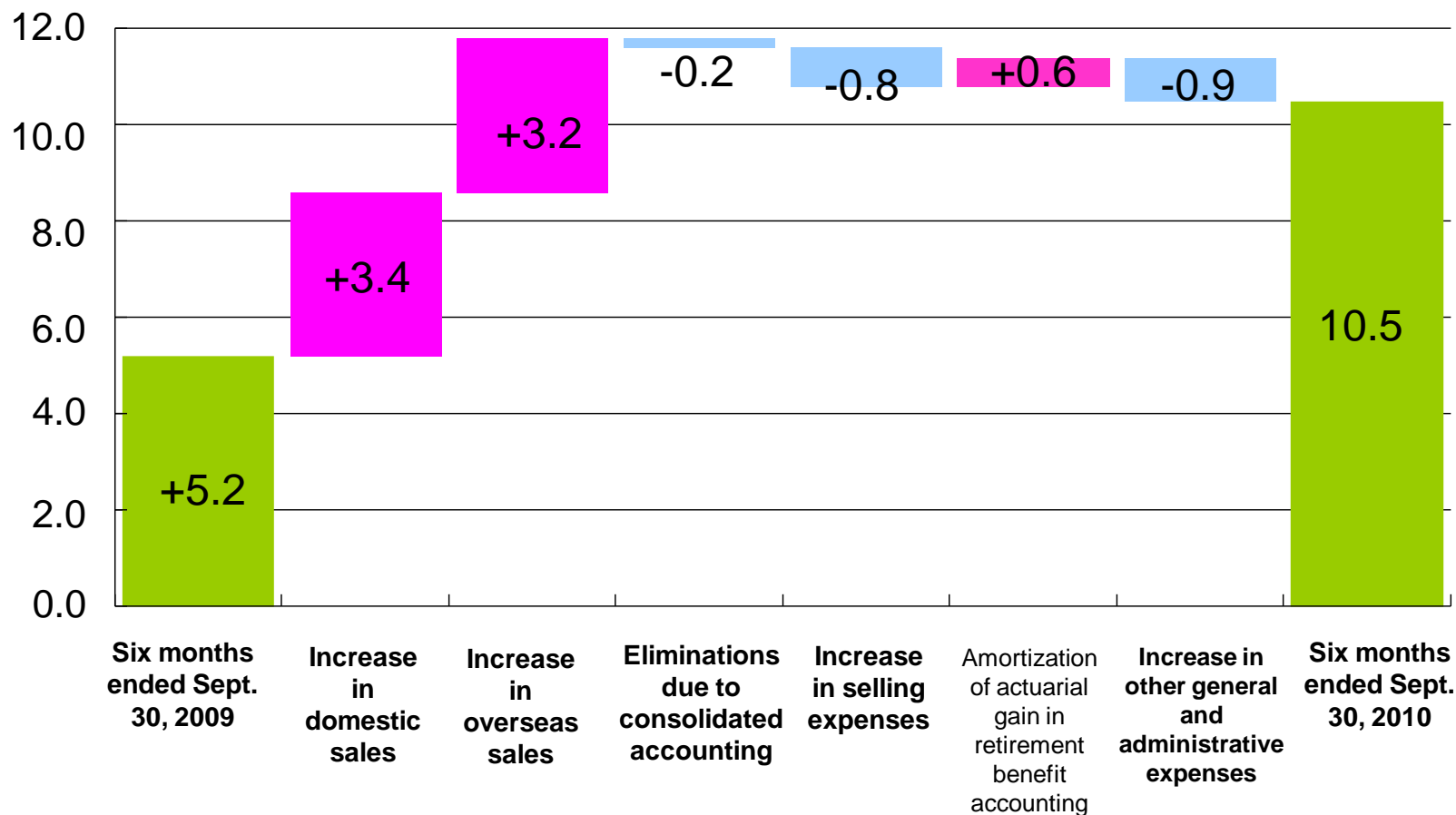


### Operating Income by Geographic Segment



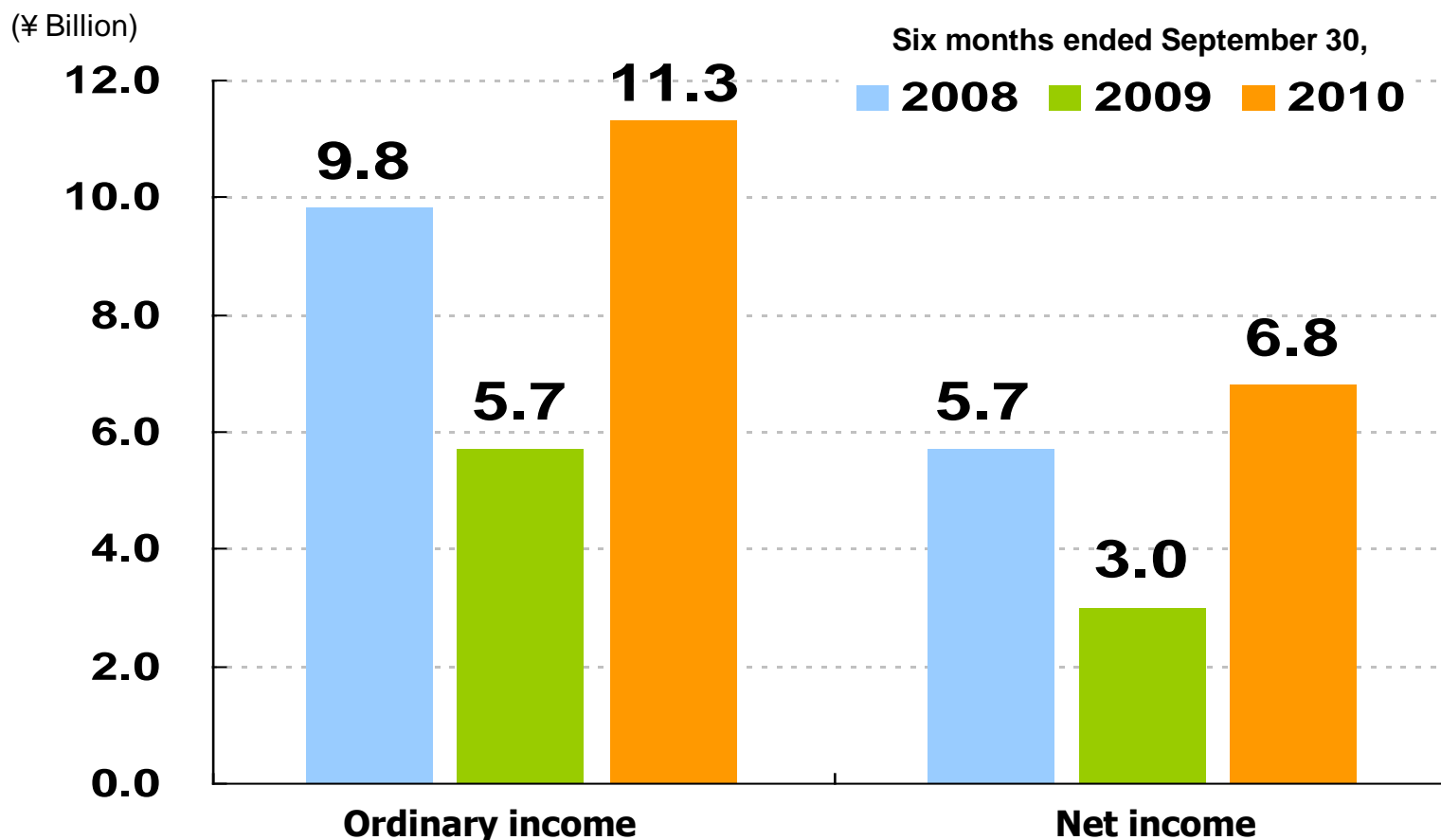


(¥ Billion)



**Ordinary income (first half): ¥11.3 billion, up ¥5.5 billion year on year (196% of year-ago level)**

**Net income (first half): ¥6.8 billion, up ¥3.7 billion year on year (221% of year-ago level)**



Working capital increased in tandem with sales growth

Accounts payable decreased in local currency terms but increased in yen-equivalent terms

Investment securities decreased (decrease in market value due to decline in equity prices)

(¥ Billion)

| Assets                        | Sept. 30,<br>2010 | Mar. 31,<br>2010 | Increase/<br>Decrease | Liabilities and Net Assets                        | Sept. 30,<br>2010 | Mar. 31,<br>2010 | Increase/<br>Decrease |
|-------------------------------|-------------------|------------------|-----------------------|---|-------------------|------------------|-----------------------|
| Cash and time deposits        | 41.4              | 42.8             | -1.3                  | Notes and accounts payable                        | 107.0             | 108.6            | -1.6                  |
| Notes and accounts receivable | 189.1             | 186.9            | +2.1                  | Short-term loans                                  | 14.5              | 10.4             | +4.1                  |
| Inventories                   | 36.3              | 31.0             | +5.2                  | Other current liabilities                         | 19.1              | 18.0             | +1.0                  |
| Other current assets          | 9.0               | 6.9              | +2.0                  | Long-term debt                                    | 10.4              | 11.1             | -0.6                  |
| Property, plant and equipment | 39.1              | 40.3             | -1.1                  | Accrued retirement benefits for employees         | 7.1               | 6.8              | +0.3                  |
| Intangible fixed assets       | 2.7               | 2.5              | +0.2                  | Other fixed liabilities                           | 8.5               | 10.2             | -1.7                  |
| Investments in securities     | 48.7              | 53.6             | -4.9                  | Shareholders' equity                              | 191.1             | 185.5            | +5.5                  |
| Other fixed assets            | 3.6               | 3.7              | -0.0                  | (Treasury stock included in above)                | (-5.4)            | (-5.4)           | (-0.1)                |
|                               |                   |                  |                       | Valuation, foreign currency and other adjustments | 4.8               | 9.7              | -4.9                  |
|                               |                   |                  |                       | Stock acquisition rights                          | 0.2               | 0.2              | —                     |
|                               |                   |                  |                       | Minority interests                                | 7.2               | 7.1              | +0.0                  |
|                               |                   |                  |                       | Total net assets                                  | 203.3             | 202.7            | +0.6                  |
|                               |                   |                  |                       | (Net worth ratio)                                 | (52.9%)           | (53.1%)          | (-0.2%)               |
| <b>Total assets</b>           | <b>370.1</b>      | <b>368.0</b>     | <b>+2.1</b>           | <b>Total liabilities and net assets</b>           | <b>370.1</b>      | <b>368.0</b>     | <b>+2.1</b>           |

While working capital increased amid recovery in sales, operating activities generated positive cash flow of ¥2.4 billion, largely from pretax income of ¥11.0 billion

Investing activities used net cash of ¥5.8 billion, mainly to acquire tangible and intangible fixed assets and investment securities

(¥ Billion)

|   | Six months ended Sept. 30, 2010 | Major components   | Six months ended Sept. 30, 2009 |
|---|---------------------------------|--|---------------------------------|
| <b>Cash flows from operating activities</b>               | <b>+2.4</b>                     | Income before income taxes 11.0<br>Depreciation and amortization 3.1<br>Working capital -9.6<br>Taxes paid -2.3                  | <b>+25.4</b>                    |
| <b>Cash flows from investment activities</b>              | <b>-5.8</b>                     | Purchases of property and equipment -3.9<br>Purchases of investment securities -0.5<br>Purchases of intangible fixed assets -0.7 | <b>-15.4</b>                    |
| <b>Cash flows from financing activities</b>               | <b>+2.5</b>                     | Short-term debt 3.8<br>Cash dividends paid -1.1  | <b>-9.4</b>                     |
| <b>Increase/Decrease in cash and cash equivalents</b>     | <b>-1.5</b>                     |  | <b>+1.9</b>                     |
| <b>Cash and cash equivalents at the end of the period</b> | <b>41.4</b>                     |  | <b>38.0</b>                     |

(¥ Million)

|                | Company Name                        | Net Sales | YoY Comparison | Operating Income | YoY Comparison | Net Income | YoY Comparison |
|----------------|-------------------------------------|-----------|----------------|------------------|----------------|------------|----------------|
| Parent Company | Nagase & Co., Ltd.                  | 231,581   | 117%           | 3,171            | 225%           | 4,584      | 153%           |
| Manufacturing  | Nagase ChemteX Corp.                | 15,743    | 128%           | 2,209            | 132%           | 1,315      | 140%           |
|                | Totaku Industries, Inc.             | 3,493     | 106%           | 121              | 112%           | 123        | 120%           |
| Sales          | Nagase Plastics Co., Ltd.           | 13,305    | 184%           | 101              | 473%           | 87         | -%             |
|                | Nagase Colors & Chemicals Co., Ltd. | 7,642     | 121%           | 125              | 162%           | 99         | 189%           |
|                | Nagase Chemical Co., Ltd.           | 6,922     | 112%           | 112              | 124%           | 64         | 124%           |
| Overseas       | Nagase (Hong Kong) Ltd.             | 26,562    | 103%           | 771              | 146%           | 646        | 150%           |
|                | Nagase (Thailand) Co., Ltd.         | 12,194    | 138%           | 560              | 257%           | 400        | 255%           |
|                | Nagase Singapore (Pte) Ltd.         | 11,402    | 114%           | 216              | 602%           | 173        | 197%           |

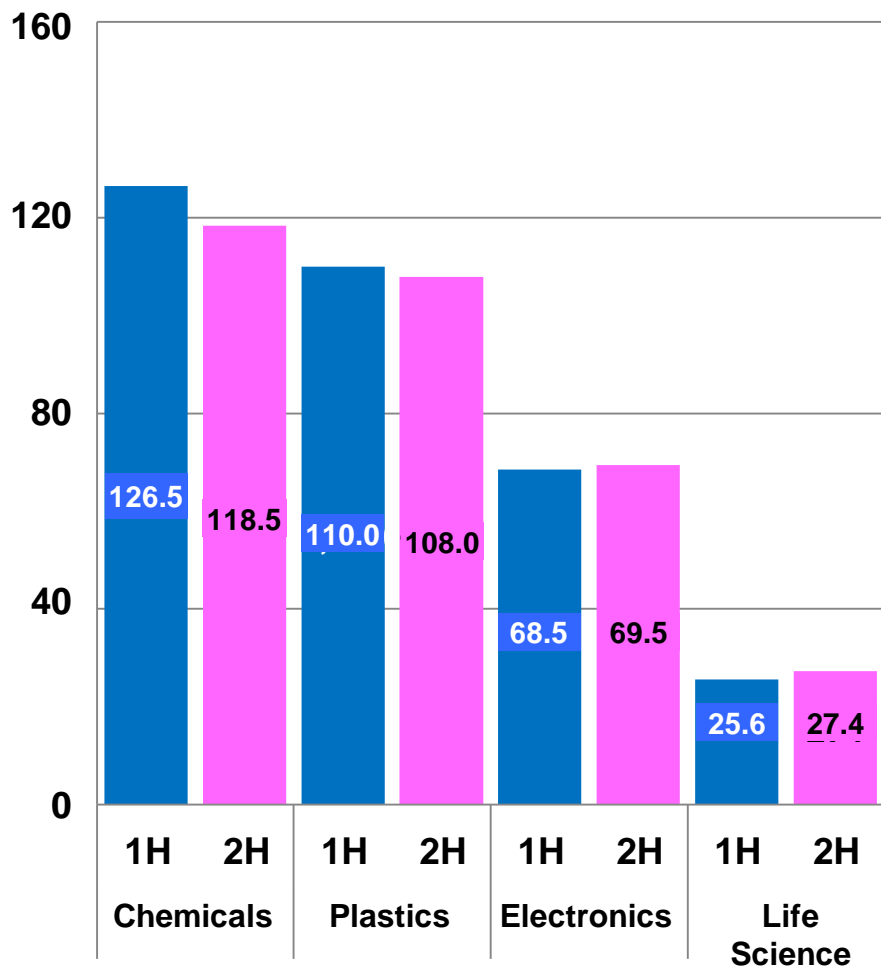
**Performance Forecast for the  
Fiscal Year Ending March 31, 2011**

(¥ Billion)

|                      | First half   |                       |      |  | Second half |        |      | Full year    |                       |      |  |
|----------------------|--------------|-----------------------|------|--|-------------|--------|------|--------------|-----------------------|------|--|
|                      | Actual       | Increase/<br>Decrease | YoY  | Deviation<br>from<br>initial<br>forecast | Forecast    | vs. 1H | YoY  | Forecast     | Increase/<br>Decrease | YoY  | Deviation<br>from<br>initial<br>forecast |
| Net sales            | 331.3        | +49.9                 | 118% | +8.3                                     | 323.7       | 98%    | 100% | 655.0        | +51.0                 | 108% | +8.0                                     |
| Gross profit         | 37.0         | +6.4                  | 121% | +2.1                                     | 35.0        | 94%    | 100% | 72.0         | +6.5                  | 110% | +2.2                                     |
| Operating income     | 10.5         | +5.2                  | 200% | +3.0                                     | 7.5         | 71%    | 95%  | 18.0         | +4.8                  | 137% | +3.0                                     |
| Ordinary income      | 11.3         | +5.5                  | 196% | +3.3                                     | 8.3         | 72%    | 92%  | 19.6         | +5.4                  | 133% | +3.4                                     |
| Net income           | 6.8          | +3.7                  | 221% | +2.2                                     | 5.2         | 75%    | 116% | 12.0         | +4.4                  | 159% | +2.5                                     |
| Net income per share | 53.29<br>yen |                       |      |  |             |        |      | 93.53<br>yen |                       |      |  |

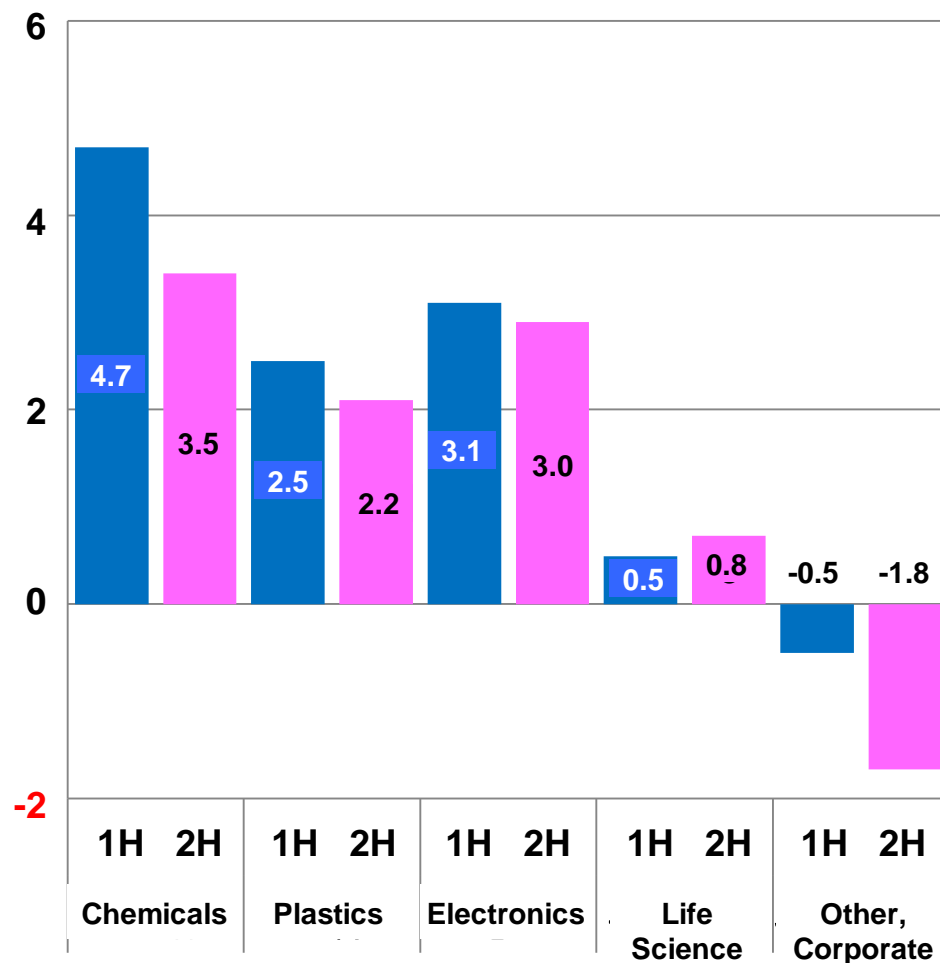
### Comparison of first- and second-half sales by business segment

(¥ Billion)



### Comparison of first- and second-half operating income by business segment

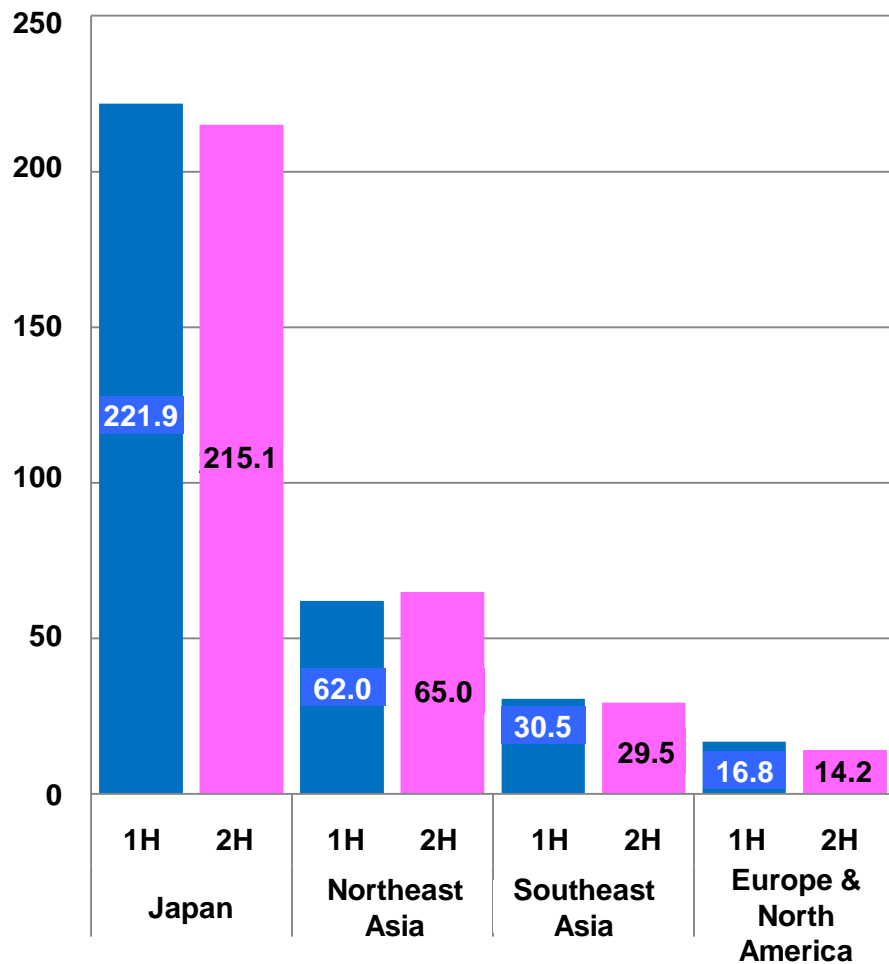
(¥ Billion)





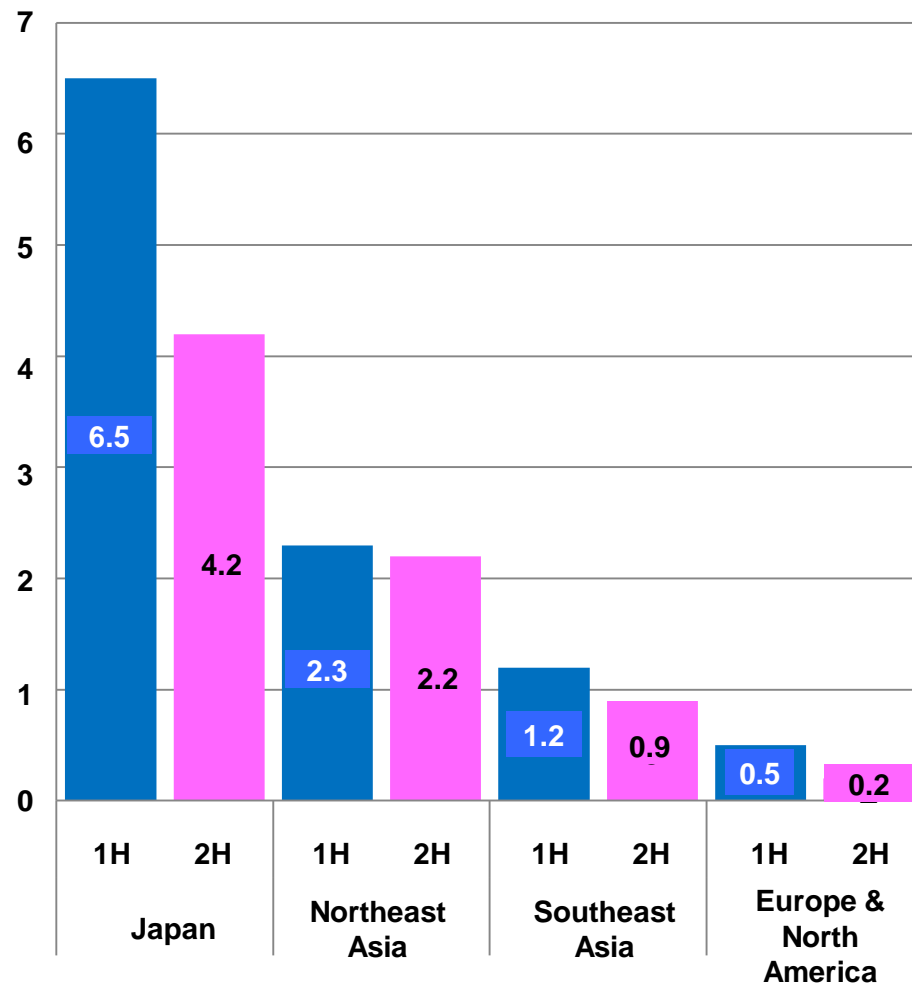
### Comparison of first- and second-half sales by geographic segment

(¥ Billion)



### Comparison of first- and second-half operating income by geographic segment

(¥ Billion)



**Progress of Medium-Term Management Plan  
“CHANGE” 11**

### Management philosophy

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

## Our vision for the future

### Customers

Anticipate changes in market structure and the environment, and make progress with customers by proposing original solutions

### Employees

Allow employees to realize their dreams and ideals through our businesses

### Shareholders and investors

Continue to grow and raise value with technology as the foundation in businesses in which we are strong

### Society at large

Contribute to society and the global environment



**Basic Principle:**  
**Maintain Good and Fair Business Practices**

## 1 Select and concentrate on key businesses

- Established US joint-venture company in Indiana to manufacture and sell blow-molded resin parts and products for automotive interiors

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

- Established new Energy Device Office

## 3 Strengthen R&D and manufacturing functions

- Decided to establish a joint venture to operate as a contract-manufacturer of high-performance resins and intermediates in Changzhou, China (Jinangsu Province)
- Decided to build new production building at Nagase ChemteX

## 4 Promote globalization

- Established a subsidiary in Mexico

## 5 Strengthen risk management

- Completed implementation of safe export controls at overseas subsidiaries to comply with foreign laws related to chemicals

## 6 Promote employee diversity and work-life balance

- Obtained "Kurumin" certification as a childcare-friendly company



(¥ Billion)

800

700

600

500

400

■ Net sales  
○ Operating income

2001    2002    2003    2004    2005    2006    2007    2008    2009    2010    2011    2012

Fiscal years to March 31

(¥ Billion)

25

20

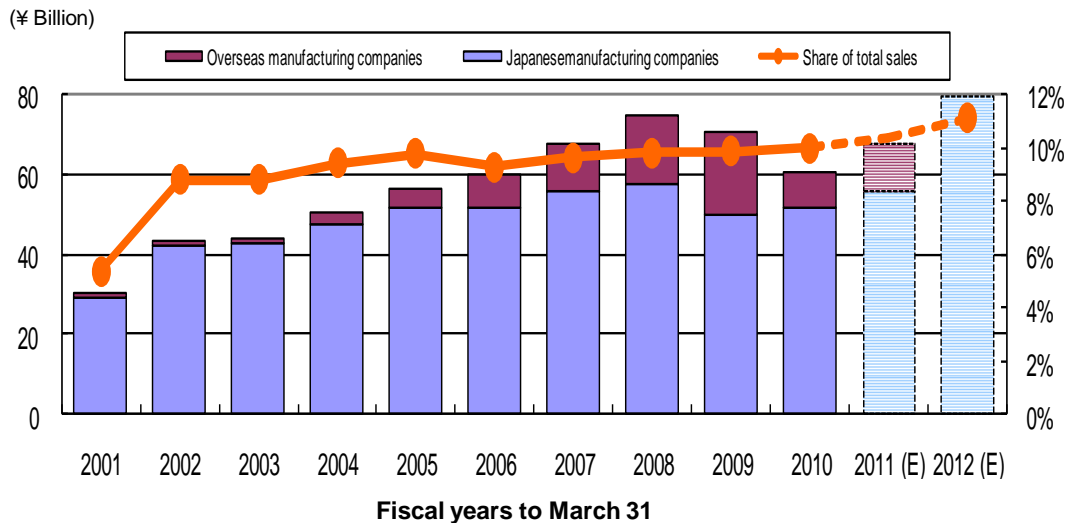
15

10

5

0

## Manufacturing sales to total sales



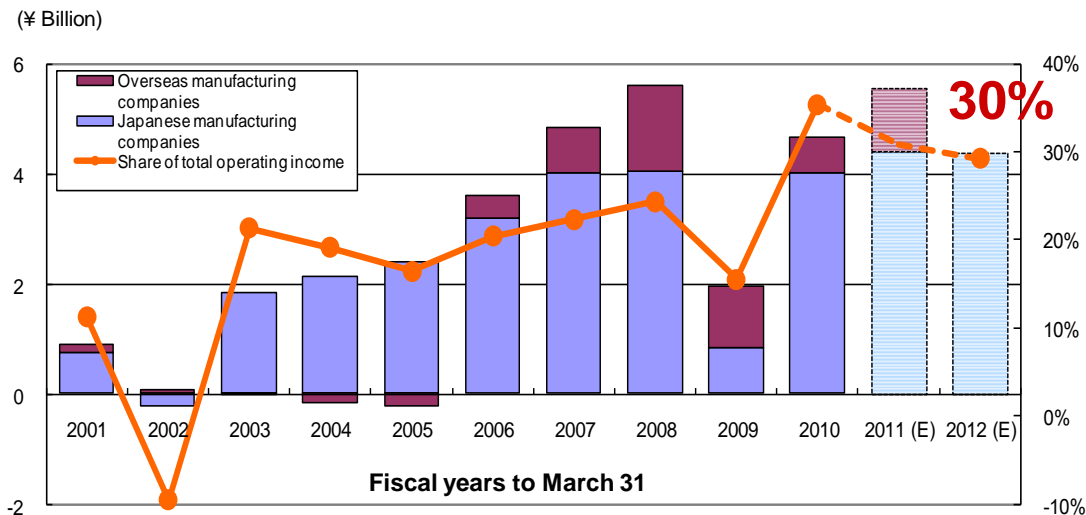
## Capital investment projection (3 years)

¥30.0 billion

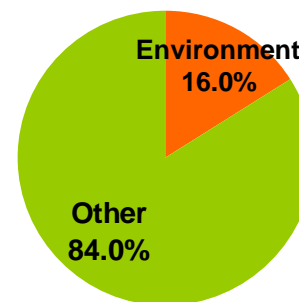
New investment primarily in environment and energy  
¥20.0 billion

Renewal of existing equipment  
¥10.0 billion

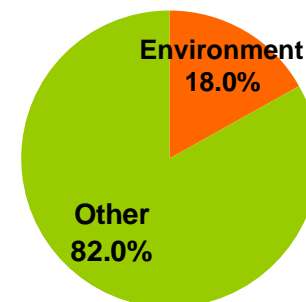
## Manufacturing operating income to total operating income



## Environment/energy-related sales to total sales



FY ended March 31, 2010



FY ending March 31, 2012 (E)

# Enzyme Business

Shuzo Shimizu

Manager of Nagase R&D Center

Nagase ChemteX Corporation

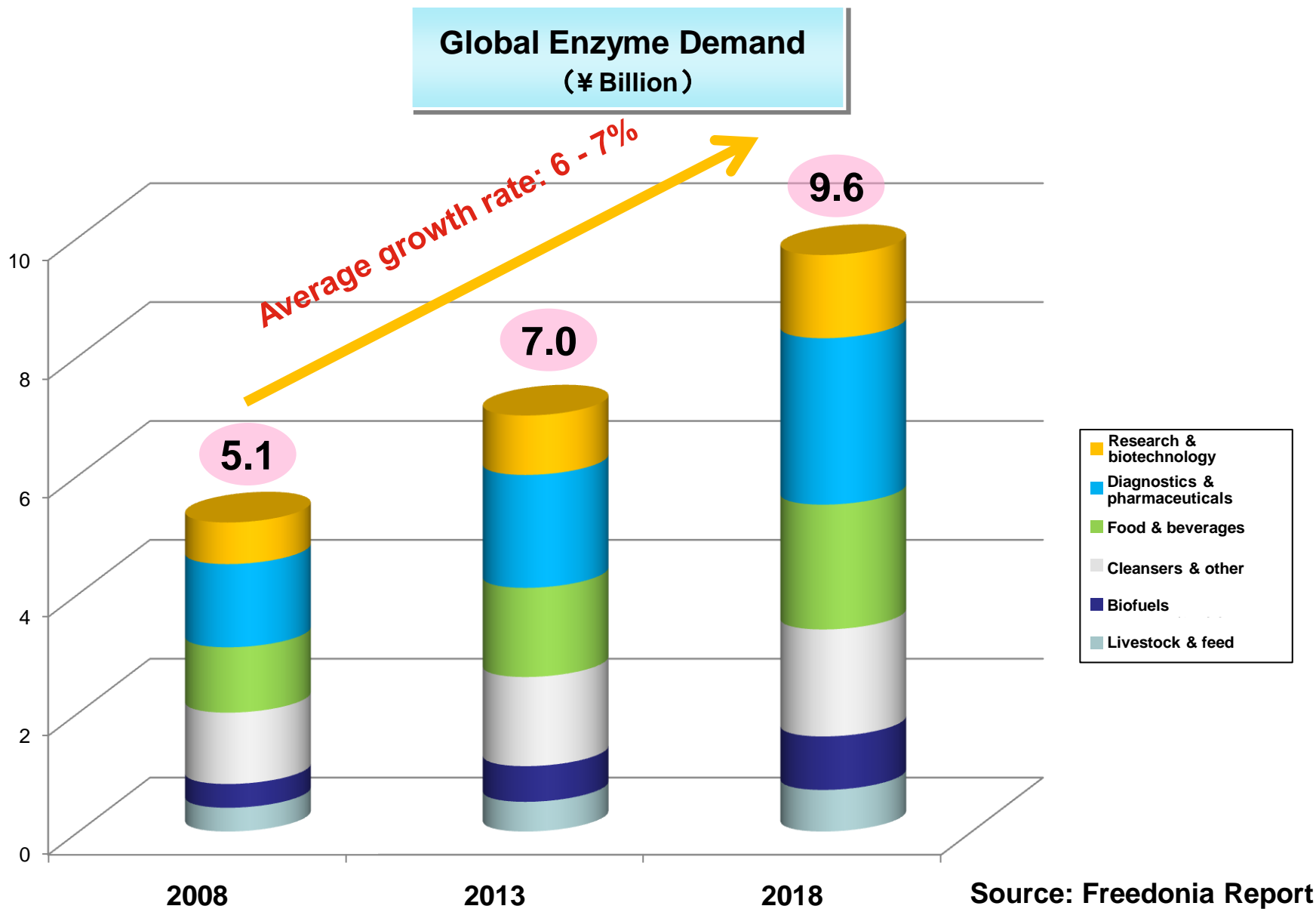


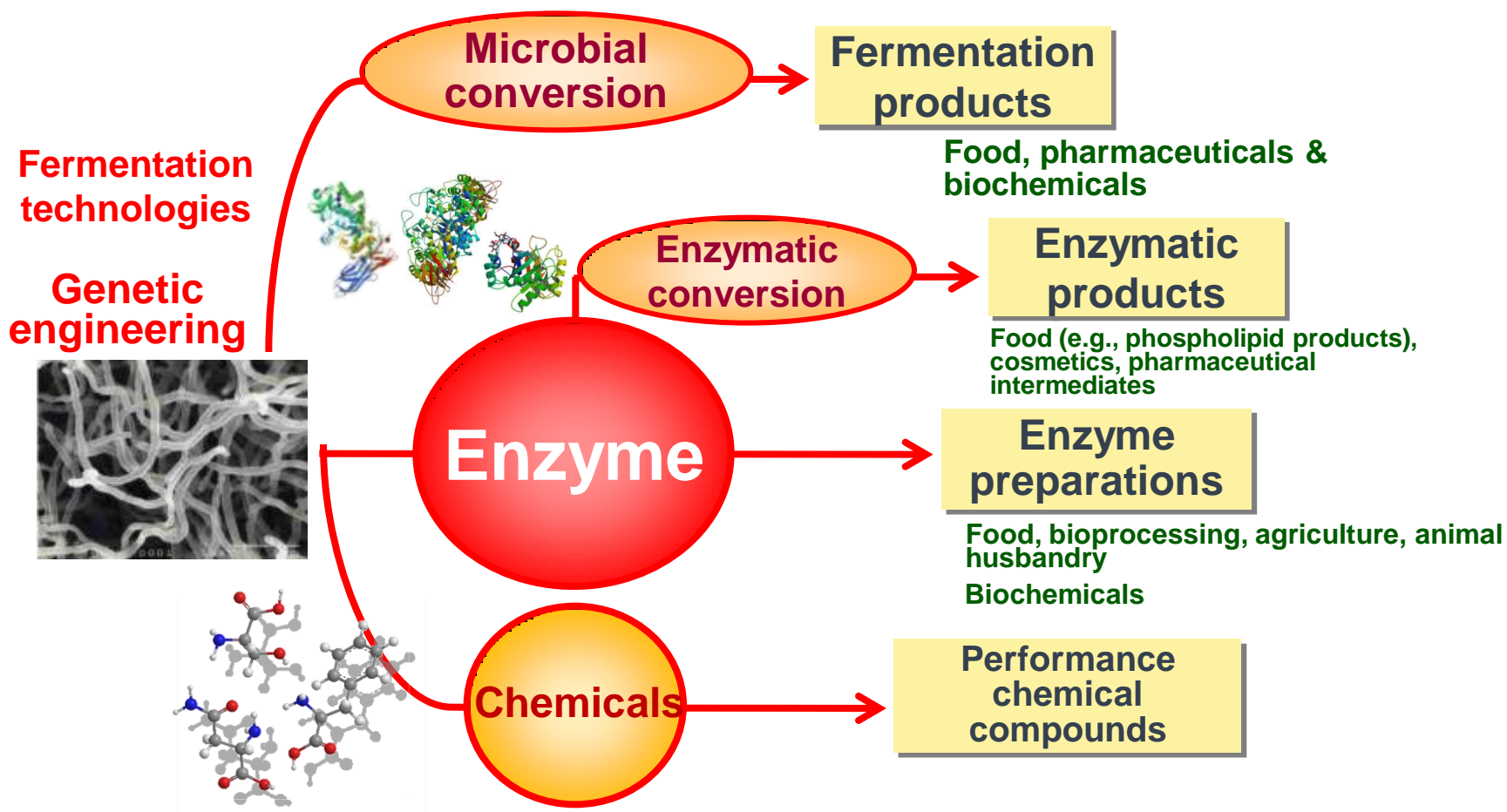
Enzymes are produced mainly by microorganisms and used in a wide range of fields, including food, industry, and pharmaceuticals. Processes that utilize enzymes have been garnering more attention in recent years because they are energy efficient and eco-friendly.



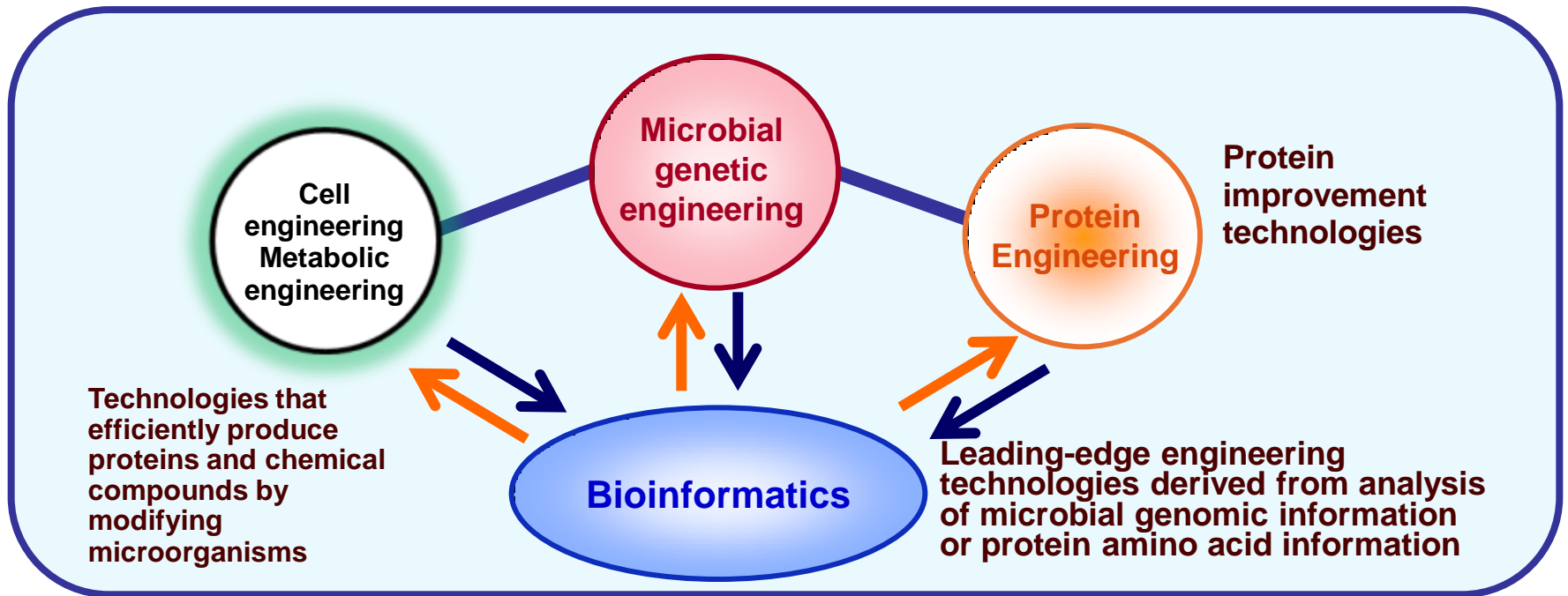
**Enzymes support our everyday lives**







**Enzyme business is the foundation of life science operations**



**Nagase R&D Center (Kobe City)**



**Nagase ChemteX Corporation  
(Fukuchiyama Plant)**

Mutation  
(postwar onward)



5–10 years

Development  
period

Genetic  
recombination  
(1980 onward)



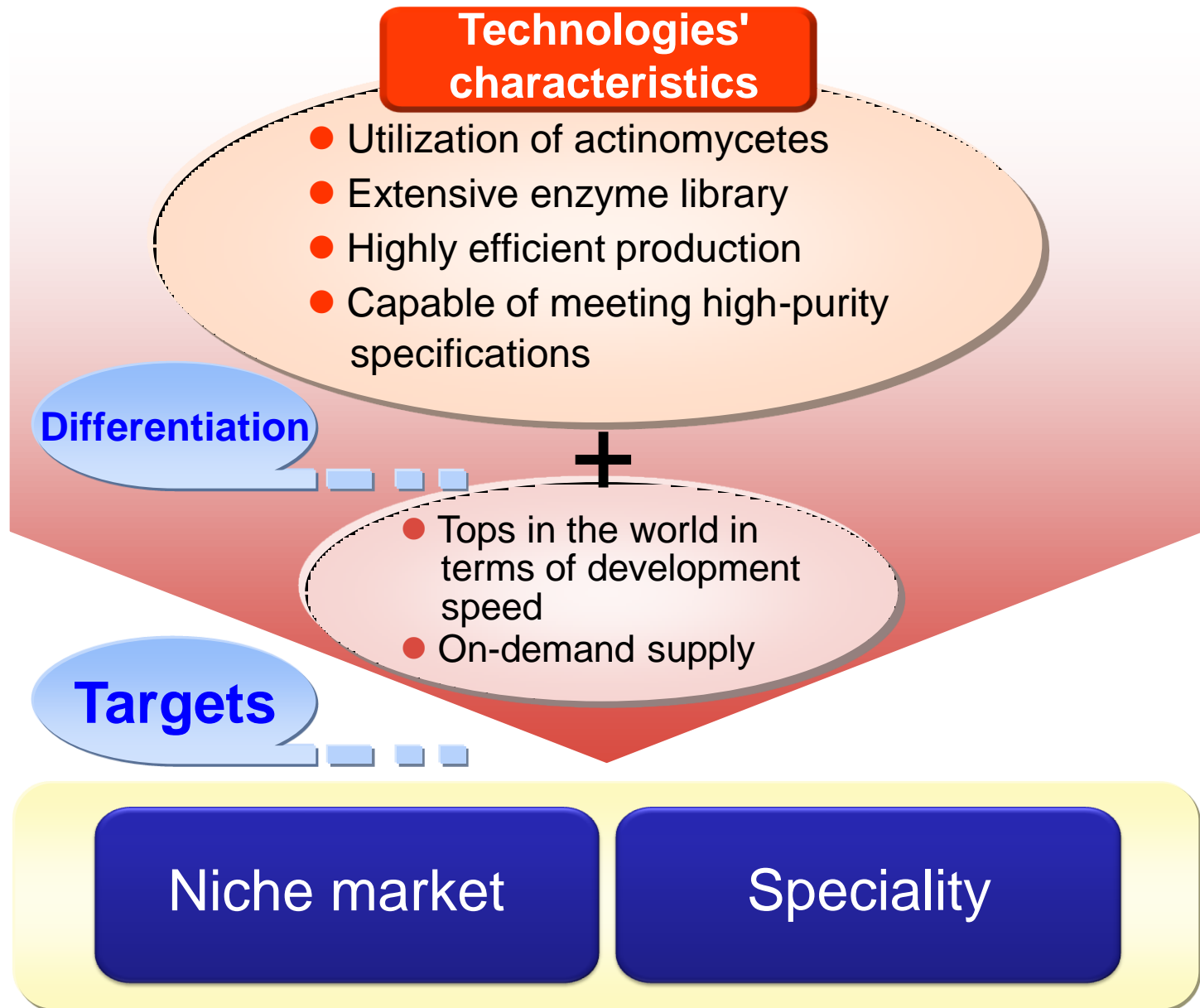
3–6 years

Genetic recombination  
utilizing genomic  
information  
(today onward)



1–2 years

**Dramatically shortening  
development timelines with  
unique technologies!**

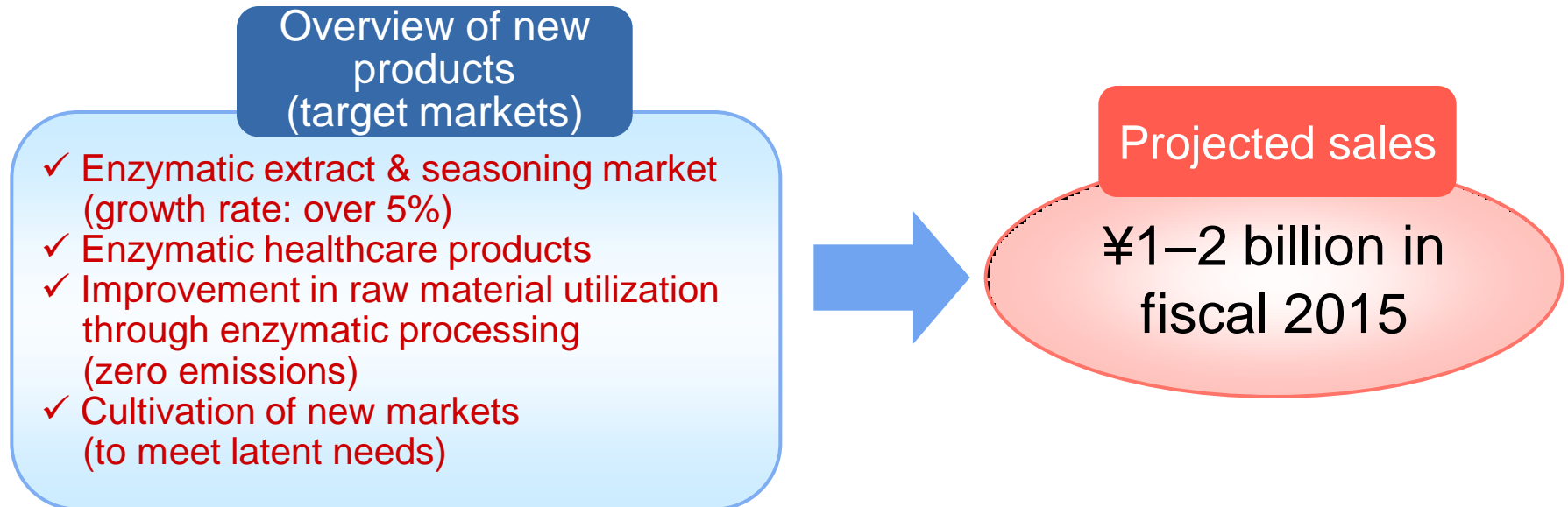


| Period    | Number of new products | Major products   | Comments   |
|-----------|------------------------|--|--|
| 1939–1950 | 1                      | <ul style="list-style-type: none"> <li>● Amylase</li> </ul>  | Fermentation technologies dating back to Nagase's inception  |
| 1951–1960 | 4                      | <ul style="list-style-type: none"> <li>● Amylase (liquid culture)</li> <li>● Alkaline protease</li> </ul>  | <b>Pioneer</b> of deep liquid fermentation technologies  |
| 1961–1970 | 0                      |  | Enzymes' dormancy period   |
| 1971–1980 | 3                      | <ul style="list-style-type: none"> <li>● Glucose isomerase (crystallization)</li> <li>● Heat-resistant <math>\alpha</math> Amylase, catalase</li> </ul>                  | <b>First domestic</b> isomerized sugar production technology   |
| 1981–1990 | 5                      | <ul style="list-style-type: none"> <li>● Wheat <math>\beta</math> amylase → application of its technology to soybeans</li> <li>● Protease granules, ureaseASO</li> </ul> | Development of enzyme production technologies  |
| 1991–2000 | 3                      | <ul style="list-style-type: none"> <li>● Purified papain</li> <li>● Protopectinase, lactase</li> </ul>   | Era of technology services   |
| 2000–2010 | 11                     | <ul style="list-style-type: none"> <li>● PLD, PLA2</li> <li>● Six phospholipids</li> <li>● Chitinase, ChitinaseB</li> <li>● Denatyme GEL</li> </ul>                      | Actinomycete technology established in 2003<br>Launch of <b>world's first</b> chitonolytic enzyme<br>Launch of <b>world's first</b> heat-resistant glucan-degrading enzyme |
| 2011–2020 | 20                     | <ul style="list-style-type: none"> <li>● Denatyme CHL</li> <li>● Denatyme PER</li> <li>● Denatyme PEE</li> <li>● Denatyme PMR</li> <li>● Denatyme ASL etc.</li> </ul>    | <b>Deluge of new products</b>  |

Start of a new era



- Newly developed enzymes are slated to be successively launched on the market from 2011



## Sales target: global food market

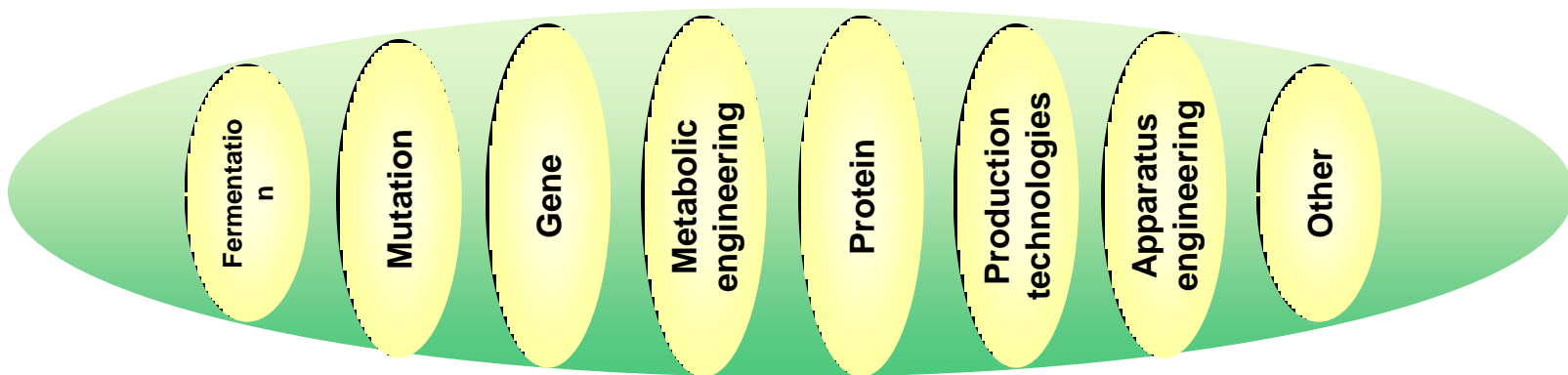
- ◆ Domestic sales: 20–30% of development products
- ◆ Overseas sales: 70–80% of development products



**Description  
of business**

**Biochemicals & Bioprocesses**  
 Foods, cosmetics, pharmaceutical intermediates, industry,  
 agriculture, & animal husbandry

**Technologies**

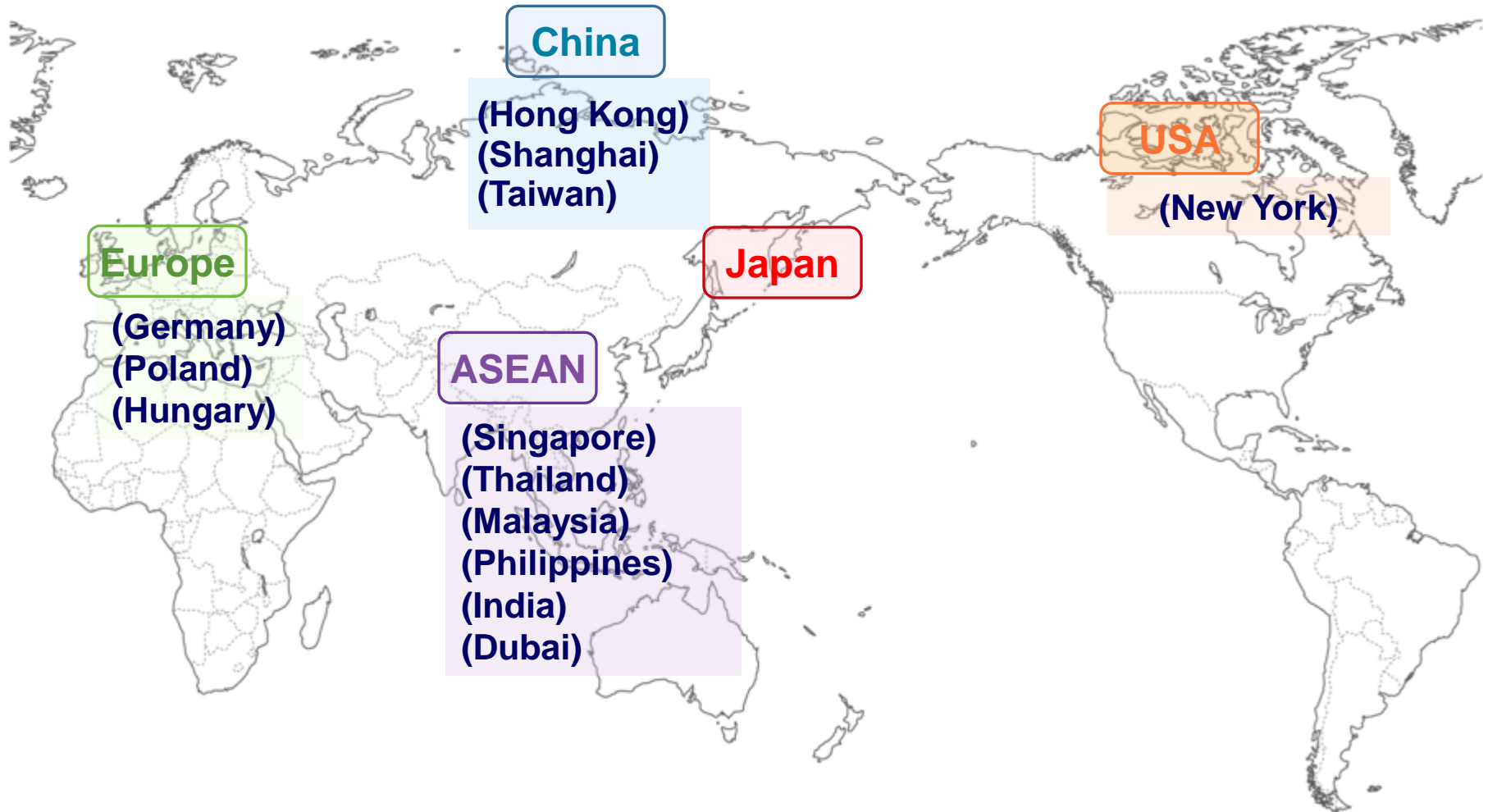


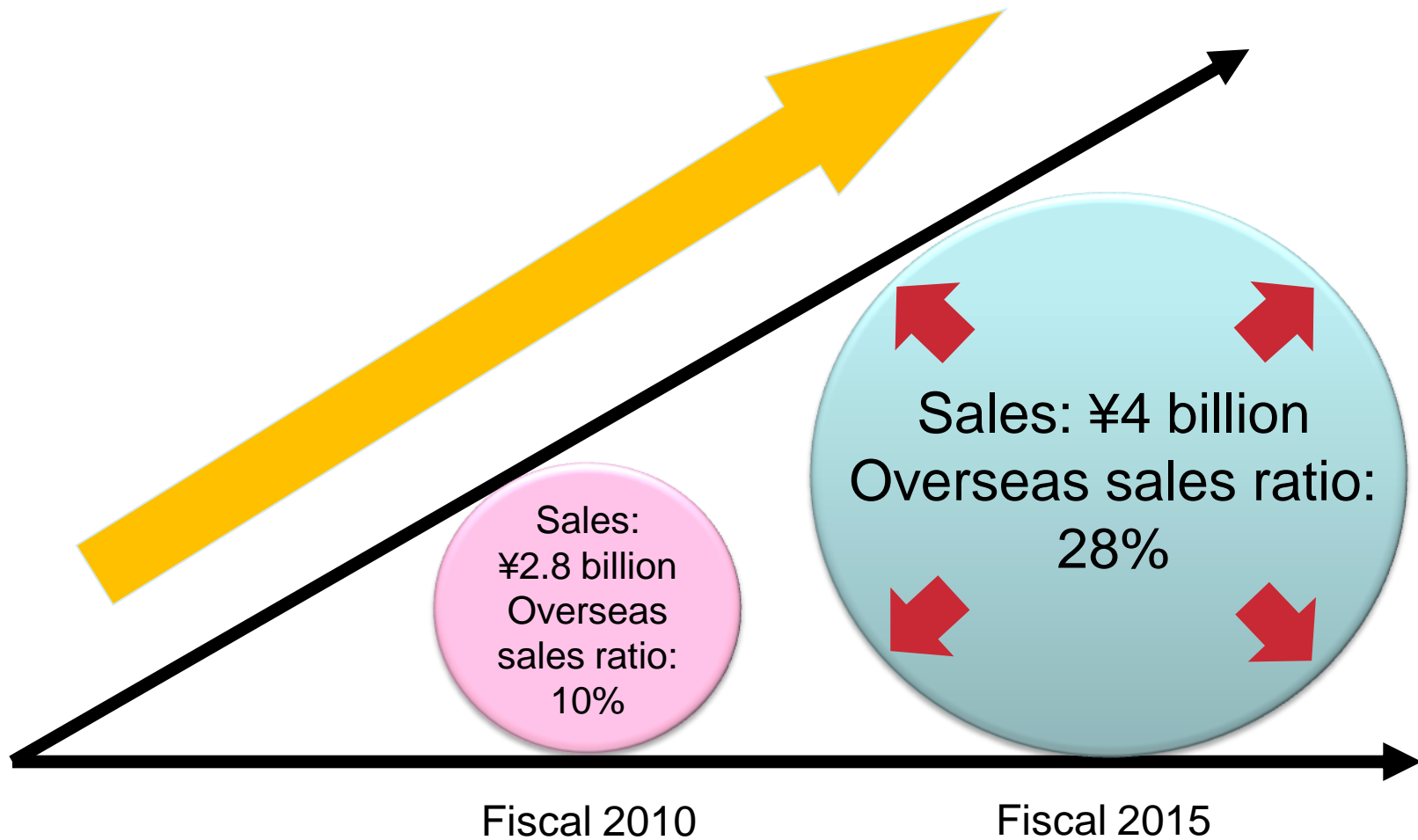
**Facilities**

Phase I (new ¥2 billion enzyme production plant  
 scheduled for completion in July 2012)

Phase II (biochemical pilot plant)

### Global Enzyme Team





A technology and intelligence oriented company  
that turns wisdom into business

**Nagase & Co., Ltd.**

<http://www.nagase.co.jp>

**This presentation contains projections based on assumptions, forecasts, and plans for the future as of November 16, 2010. Actual results may differ from projections due to risks and uncertainties associated with the global economy, competition, and exchange rate fluctuations and other risks and uncertainties.**