

Consolidated Financial Statements for the First Quarter of Fiscal Year Ending March 31, 2010

July 30, 2009

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>)

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Filing of Quarterly Report (scheduled): August 12, 2010

(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, 2010 (April 1, 2009 to June 30, 2009)

(1) Consolidated Operating Results (Percentages represent change compared with the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2009	131,520	(29.9)	1,609	(65.6)	2,072	(61.6)	997	(68.1)
Three months ended June 30, 2008	187,709	—	4,673	—	5,396	—	3,121	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Three months ended June 30, 2009	7.76	—
Three months ended June 30, 2008	24.28	24.27

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2009	341,689	199,305	56.2	1,492.97
As of March 31, 2009	340,968	191,931	54.1	1,435.88

(Reference) Equity capital: As of June 30, 2009: ¥191,937 million (As of March 31, 2009: ¥184,599 million)

2. Dividends

(Record date)	Dividends per share				
	1Q	Interim	3Q	Fiscal Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2008	—	8.00	—	8.00	16.00
Fiscal 2009	—	—	—	—	—
Fiscal 2010 (est.)	—	7.00	—	7.00	14.00

Note: Revisions to projected dividends during the three months ended June 30, 2009: No

3. Projected Consolidated Results for the Fiscal Year ending March 31, 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent change compared with the previous fiscal year or cumulative consolidated second quarter, 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
Cumulative consolidated second quarter	271,000	(29.5)	4,000	(55.1)	4,400	(55.3)	2,300	(59.7)	17.89
Full year	564,000	(21.1)	8,400	(32.9)	9,400	(28.0)	5,000	(13.9)	38.89

Note: Revisions to projected consolidated results during the three months ended June 30, 2009: Yes

4. Other

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None
- (2) Use of simplified accounting methods or special accounting methods for 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 important items considered fundamental to the preparation of consolidated financial statements.”)
 - i. Changes in accordance with revisions to accounting and other standards: No
 - ii. Changes in items other than (i) above: YesSee “4. Other” of “Qualitative Information and Financial Statements” on page 4.
- (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)

Three months ended June 30, 2009:	138,408,285 shares
Year ended March 31, 2009:	138,408,285 shares
 - ii. Number of treasury stock as of the fiscal period end

Three months ended June 30, 2009:	9,847,902 shares
Year ended March 31, 2009:	9,846,589 shares
 - iii. Average number of shares during the period:

Three months ended June 30, 2009:	128,560,758 shares
Three months ended June 30, 2008:	128,569,083 shares

Notes: Cautionary Remark Regarding Forward-Looking Statements

1. The projected second quarter and full-year consolidated results for fiscal 2009 have been revised from the projections announced in April 30, 2009.
2. Statements made in this document with respect to projected results and other statements that are not of historical fact are forward-looking statements based on the assumptions, projections and plans of the Company as of the date of this report. Readers are advised that actual results may differ materially from projections due to risks and uncertainties arising from a variety of factors, including shifts in global economic and competitive conditions, foreign currency exchange rates and interest rates.

1. Business Performance

(1) Analysis of Business Performance

a. General Summary of Results

During the first quarter of the fiscal year ending March 31, 2010, the Japanese economy was anticipated to see further harsh conditions characterized by sluggish production despite some industries showing signs of recovery due to the promotion of inventory adjustments.

Against this backdrop, domestic sales for the first quarter fell 23.6 percent compared with the corresponding period of the previous fiscal year to ¥82.84 billion and overseas sales dropped 38.6 percent to ¥48.67 billion, for total net sales of ¥131.52 billion, a 29.9 percent decrease.

On the earnings front, operating income plunged 65.6 percent year on year to ¥1.60 billion and ordinary income fell 61.6 percent to ¥2.07 billion due to the substantial sales drop, despite the Company's efforts to reduce selling, general and administrative expenses. As a result, net income for the first quarter of the fiscal year under review declined 68.1 percent to ¥0.99 billion.

b. Segment Summary

The classification of business segments has been somewhat changed from the first quarter of the fiscal year under review. Year-on-year figures have been calculated based on a reclassification of the previous business segments into the new categories.

[Chemicals] Sales: ¥52.42 billion, a 29.9 percent decrease from the same period of the previous fiscal year

On the back of the economic recession, decreased demand throughout the overall chemicals industry affected Nagase's chemical businesses across the board, with substantial sales drops being recorded by the chemicals business which handles coating materials, urethane materials, plastic raw materials and additives; the colors and imaging business which handles dyestuffs, pigments and other products related to color; and the specialty chemical business which handles a wide range of organic synthesis materials such as surfactants, industrial oil solutions, silicone and fluorochemicals.

[Plastics] Sales: ¥38.39 billion, a 42.2 percent decrease from the same period of the previous fiscal year

During the period under review, overseas sales in the business areas of Northeast Asia, Southeast Asia and North America dropped substantially. In Japan, sales of materials for precision instruments, electronics and automotive applications shrank, while sales of building and packaging materials-related products decreased. As a result, overall sales in this segment plunged.

[Electronics] Sales: ¥26.25 billion, a 18.7 percent decrease from the same period of the previous fiscal year

Sales of display-related products, including LCD display films and touch-panel components grew significantly during the period under review. However, sales of precision abrasive materials for hard disks and silicon wafers as well as of chemicals and appliances for manufacturing semiconductors were stagnant, while demand for formulated epoxy resin for heavy electric machinery remained on par with the corresponding period of the previous fiscal year. Accordingly, overall sales dropped, reflecting sluggish sales of products for the automobile and light electrical equipment markets.

[Life Sciences] Sales: ¥14.15 billion, a 3.0 percent increase from the same period of the previous fiscal year

In the Life Sciences segment, sales of pharmaceutical raw materials and intermediates as well as agricultural raw materials in the fine chemicals business edged up. However, sales in the beauty care products business, which handles cosmetics and health foods, edged down, resulting in the overall sales on par with the corresponding period of the previous fiscal year.

[Other] Sales: ¥0.29 billion, a 33.2 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

(1) Assets, Liabilities and Net Assets

Total assets increased ¥0.72 billion to ¥341.68 billion during the period under review. This was mainly attributable to an increase in marketable securities due to accumulated current assets on hand as well as increased current prices of investment account securities despite the decrease in trade receivables and inventories.

Total liabilities decreased ¥6.65 billion compared with the corresponding period of the previous fiscal year to ¥142.38 billion, reflecting decreased short-term loans and notes and accounts payable despite an increase in deferred tax liability.

Net assets rose ¥7.37 billion to ¥199.3 billion due to the increase in net unrealized holding gain on securities.

As a result, the net worth ratio increased 2.1 percentage points to 56.2 percent from 54.1 percent at the end of the previous fiscal year.

(2) Cash Flows

Net cash provided by operating activities was ¥22.53 billion due to decreases in working capital as well as net income before income taxes and minority interests.

Net cash used in investing activities was ¥2.09 billion, mainly as a result of purchasing property and equipment.

Net cash used in financing activities was ¥6.96 billion, reflecting a decrease in short-term loans and dividend payments.

As a result, the balance of cash and cash equivalents at June 30, 2009 was ¥50.07 billion, an increase of ¥13.93 billion from the end of the previous fiscal year.

3. Qualitative Information on Projected Consolidated Results

The projected second quarter and full-year consolidated results for fiscal 2009 have been revised from the projections announced in April 30, 2009. Please refer to the “Notice Concerning the Revision of Earnings Forecasts” announced on July 30, 2009 for details.

4. Other

(1) Changes in Significant Subsidiaries during the Period (Changes in specified subsidiaries due to changes in the scope of consolidation)

None applicable

(2) Use of Simplified Accounting Methods or Special Accounting Methods for Preparation of Quarterly Financial Statements

No

(3) Changes in Consolidated Accounting Rules, Procedures, Presentation Method, etc., for the Quarterly Consolidated Financial Statements

a. The Company has been applying special quarterly accounting methods to determine income tax payments, including calculations for some consolidated subsidiaries that use the estimated annual effective tax rate based on the normal effective statutory tax rate. However, such accounting methods have been replaced from the period under review with the basic accounting procedures used for the full year in order to ensure the more appropriate calculation of quarterly tax expenditures. The impact of such changes on the Company’s financial performance is minor.

b. The classification of business segments has been partially changed from the first quarter of the fiscal year under review.