

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

January 29, 2010

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

**Nagase & Co., Ltd.**

Code number: 8012

Representative: Hiroshi Nagase, Representative Director and President

Contact: Masanori Furukawa, Manager, Corporate Accounting Division

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

Start of distribution of dividends (scheduled): —

Stock exchange listing: Tokyo, Osaka (First Sections)

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

(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, 2010 (April 1, 2009 to December 31, 2009)

(1) Consolidated Operating Results (Percentages represent changes 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	%
Nine months ended Dec. 31, 2009	440,545	(23.4)	9,448	(21.1)	10,447	(21.8)	5,680	(5.6)
Nine months ended Dec. 31, 2008	574,971	—	11,968	—	13,361	—	6,018	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Nine months ended Dec. 31, 2009	44.18	—
Nine months ended Dec. 31, 2008	46.81	46.81

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2009	371,218	199,721	51.9	1,497.94
As of March 31, 2009	340,968	191,931	54.1	1,435.88

(Reference) Equity capital: As of December 31, 2009: ¥192,526 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	—	7.00	—	—	—
Fiscal 2010 (est.)	—	—	—	7.00	14.00

Note: Revisions to projected dividends during the nine months ended December 31, 2009: No

## 3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentages represent changes compared with 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
Full year	575,000	(19.6)	10,000	(20.1)	11,000	(15.7)	6,000	(3.3)	46.67

Note: Revisions to projected consolidated results during the nine months ended December 31, 2009: No

## 4. Other

- Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None
- Use of simplified accounting methods or special accounting methods for preparation of quarterly financial statements: No

- (3) Changes in accounting principles, procedures, presentation methods, etc., in connection with the preparation of consolidated financial statements  
 (Recorded under “Changes in important items considered fundamental to the preparation of the quarterly consolidated financial statements.”)
- i. Changes in accordance with revisions to accounting and other standards: No
  - ii. Changes in items other than (i) above: Yes
- See “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)
 

Nine months ended Dec. 31, 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
 

Nine months ended Dec. 31, 2009:	9,880,699 shares
Year ended March 31, 2009:	9,846,589 shares
  - iii. Average number of shares during the period:
 

Nine months ended Dec. 31, 2009:	128,554,478 shares
Nine months ended Dec. 31, 2008:	128,574,556 shares

Notes: Cautionary Remark Regarding Forward-Looking Statements

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 nine months ended December 31, 2009, despite some industries showing signs of recovery due to the promotion of inventory adjustments and the implementation of a series of economic-stimulus measures, economic conditions in Japan remained severe. This is primarily attributable to sluggish corporate earnings, subdued capital investment and worsening employment conditions.

Against this backdrop, domestic sales for the nine-month period fell 16.9 percent compared with the corresponding period of the previous fiscal year to ¥265.52 billion, and overseas sales decreased 31.4 percent to ¥175.01 billion, for total net sales of ¥440.54 billion, a 23.4 percent decrease.

On the earnings front, operating income dropped 21.1 percent year on year to ¥9.44 billion, and ordinary income fell 21.8 percent to ¥10.44 billion due to a substantial drop in sales, despite the Company's efforts to reduce selling, general and administrative expenses. As a result, net income for the third quarter dipped 5.6 percent to ¥5.68 billion. This was attributable to a year-on-year loss on valuation of investment securities of ¥1.91 billion recorded as an extraordinary loss.

#### 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: ¥173.45 billion, a 20.0 percent decrease from the same period of the previous fiscal year**

Despite an increase in domestic sales of the Nagase Group in connection with such items as LCDs, this segment was impacted by the ongoing decrease in demand throughout the overall chemicals industry that affected Nagase's chemical businesses across the board. Consequently, sales drops were 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. Overall sales also fell as a result of weak overseas sales in Northeast Asia, Southeast Asia, North America and Europe.

##### **[Plastics] Sales: ¥138.94 billion, a 33.0 percent decrease from the same period of the previous fiscal year**

During the period under review, despite an upswing in domestic sales of materials for precision instruments and electronics as well as indications that demand for flat-screen televisions and automotive applications was beginning to recover in light of exports made to emerging nations, particularly China, sales of building and packaging materials-related products remained sluggish. Overseas sales failed to reach average levels for the corresponding period of the previous fiscal year in spite of a recovery trend in demand—which focused on automotive products—while sales in all regions fell. As a result, overall sales in this segment plunged.

##### **[Electronics] Sales: ¥85.74 billion, an 18.9 percent decrease from the same period of the previous fiscal year**

Sales of chemicals for manufacturing LCDs increased slightly due to the launching of new products, while sales of materials for LCD display films remained nearly unchanged compared to the corresponding period of the previous fiscal year. At the same time, despite a recovery in sales of both precision abrasive materials for hard disks and silicon wafer applications, year-on-year sales fell. Sales stemming from the release of newly formulated epoxy resin products for such devices as mobile phones were firm; however, overseas sales remained weak in all regions. Accordingly, overall sales dropped, reflecting sluggish sales of products for the automobile and light electrical equipment markets.

##### **[Life Sciences] Sales: ¥41.53 billion, a 5.0 percent decrease 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 and the beauty care products business, which handles cosmetics and health foods, dipped. Although strong sales were also reported by domestic manufacturers, overall sales in this segment declined slightly.

##### **[Other] Sales: ¥0.87 billion, a 27.3 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 ¥30.24 billion to ¥371.21 billion during the period under review, despite a decrease in inventories. This was mainly attributable to increased current prices of investment account securities stemming from rises in both notes and accounts receivable and share prices as well as a rise in cash and time deposits due to accumulated current assets on hand.

Total liabilities increased ¥22.45 billion from the end of the previous fiscal year to ¥171.49 billion due to such factors as a rise in accounts payable and deferred tax liability. This occurred despite a decrease in short-term loans.

Net assets rose ¥7.79 billion to ¥199.72 billion due to the increase in net unrealized holding gain on securities. As a result, the net worth ratio fell 2.2 percentage points from 54.1 percent to 51.9 percent.

### **(2) Cash Flows**

Net cash provided by operating activities was ¥25.25 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 ¥8.67 billion. This reflected such factors as purchases of property, plant and equipment and investment securities.

Net cash used in financing activities was ¥8.69 billion due to such factors as a reduction in short-term loans and dividend payments.

As a result, the balance of cash and cash equivalents as of December 31, 2009 was ¥43.64 billion, up ¥7.5 billion from the end of the previous fiscal year.

## **3. Qualitative Information on Forecasted Consolidated Results**

The projected full-year consolidated results for fiscal 2009 have not been revised from the projections announced on October 30, 2009.

## **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 a 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.