

Consolidated Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2011

<Under Japanese GAAP>

July 30, 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): August 12, 2010

Supplementary documents or quarterly financial results: No

Quarterly investors' meeting: No

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 First Quarter of the Fiscal Year Ending March 31, 2011 (April 1, 2010 to June 30, 2010)

(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, 2010	161,896	23.1	5,611	248.6	6,425	209.9	3,430	244.0
June 30, 2009	131,520	(29.9)	1,609	(65.6)	2,072	(61.6)	997	(68.1)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
For the first quarter ended		
June 30, 2010	26.69	—
June 30, 2009	7.76	—

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
June 30, 2010	366,380	202,140	53.1	1,514.05
March 31, 2010	368,088	202,753	53.1	1,519.61

(Reference) Equity capital: As of June 30, 2010: ¥194,628million As of March 31, 2010: ¥195,344 million)

2. Dividends

(Record date)	Dividends per share				
	1Q	Interim	3Q	Fiscal Year-End	Annual
	Yen	Yen	Yen	Yen	Yen
For the year ending					
March 31, 2010	—	7.00	—	9.00	16.00
March 31, 2011	—				
March 31, 2011 (estimate)		9.00	—	9.00	18.00

Note: Revisions to projected dividends during the three months ended June 30, 2010: No

**3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2011
(April 1, 2010 to March 31, 2011)**

(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
The first half of fiscal 2010	323,000	14.8	7,500	42.5	8,000	38.0	4,600	48.6	35.78
Fiscal 2010 (Full fiscal year)	647,000	7.1	15,000	14.3	16,200	10.1	9,500	26.0	73.90

Note: Revisions to projected consolidated results during the three months ended June 30, 2010: No

4. Other (For details, please see “2. Others” on page 4.)

- (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 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 significant items considered fundamental to the preparation of consolidated financial statements.”)

- i. Changes in accordance with revisions to accounting and other standards: Yes
ii. Changes in items other than (i) above: 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, 2010: 138,408,285 shares
As of March 31, 2010: 138,408,285 shares
- ii. Number of treasury stock as of the fiscal period end
As of June 30, 2010: 9,860,125 shares
As of March 31, 2010: 9,859,357 shares
- iii. Average number of shares during the period:
Three months ended June 30, 2010: 128,548,463 shares
Three months ended June 30, 2009: 128,560,758 shares

Indication of quarterly review procedure implementation status

This quarterly earnings 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 “Qualitative Information on Projected Consolidated Results” in the “Qualitative Information and Financial Statements” on page 4.

1. Qualitative Information and Financial Statements

(1) Qualitative Information and Overview of Consolidated Business Results

a. General Summary of Results

During the period under review, the Japanese economy was on a recovery track, spurred by robust demand in Asian countries, most notably China.

Reflecting these circumstances, domestic sales for the first quarter rose 17.2 percent compared with the corresponding period of the previous fiscal year to ¥97.05 billion and overseas sales surged 33.2 percent to ¥64.84 billion. Total net sales for the period under review became ¥161.89 billion, up 23.1 percent year on year.

On the earnings front, operating income jumped 248.6 percent to ¥5.61 billion and ordinary income surged 209.9 percent to ¥6.42 billion due to the increased net sales. As a result, net income for the first quarter of the fiscal year under review soared 244.0 percent to ¥3.43 billion.

b. Segment Summary

[Chemicals] Sales: ¥64.11 billion, a 22.3 percent increase from the same period of the previous fiscal year

On the back of the economic recovery, increased demand throughout the overall chemicals industry affected Nagase's chemical businesses across the board. Reflecting this, substantial sales improvements 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.

[Plastics] Sales: ¥52.79 billion, a 37.5 percent increase 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 grew substantially. In Japan, there were rises in sales of materials for office automation equipment, consumer electronics, automotives, functional film sheets and plastic molding-related products. As a result, overall sales in this segment surged.

[Electronics] Sales: ¥31.79 billion, a 21.1 percent increase from the same period of the previous fiscal year

Sales of display-related products, including LCD display films and touch-panel components, as well as sales of precision abrasive materials for hard disks and Silicon Wafers grew significantly during the period under review. In addition, sales of chemicals for manufacturing semiconductors and LCD panels increased, reflecting favorable demand. Epoxy business also grew substantially, owing to applications related to automobiles getting on a recovery track and robust demand for mobile phones. Furthermore, overseas sales showed considerable growth, resulting in a drastic increase in overall results.

[Life Sciences] Sales: ¥12.95 billion, an 8.5 percent decrease from the same period of the previous fiscal year

In the Life Sciences segment, sales of fermentation products in the fine chemicals business were on par with the corresponding period of the previous fiscal year. Sales of pharmaceutical intermediates and agricultural raw materials, however, decreased. Although sales in the Beauty Care products business, which handles cosmetics and health foods, remained strong, overall result in the Life Sciences segment declined.

[Other] Sales: ¥0.22 billion, a 22.5 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

Assets, Liabilities and Net Assets

Total assets fell ¥1.70 billion to ¥366.38 billion during the period under review, in spite of an increase in notes and accounts receivable and inventories due to growth of sales. This was mainly attributable to a decrease in the value of investment securities due to a drop in share prices as well as a decrease in cash and cash equivalents due to increase in working capitals.

Total liabilities amounted to ¥164.24 billion, down ¥1.09 billion from the previous fiscal year-end. Major factors leading to this result include a decrease in allowances and deferred income taxes that outstripped an increase in short-term loans.

Net assets declined ¥0.61 billion to ¥202.14 billion due to a decrease in net unrealized holding gain on investment securities.

As a result, the net worth ratio remained on par with the previous fiscal year-end at 53.1 percent.

Cash Flows

Net cash provided by operating activities was ¥0.72 billion. This was mainly attributable to a ¥5.83 billion income before income taxes and minority interests, which offset increase in working capitals due to an increase in notes and accounts receivable and inventories stemming from sales expansion.

Net cash used in investing activities totaled ¥2.11 billion, reflecting such factors as purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥0.70 billion due to the payment of dividends, in spite of an increase in short-term loans.

Including ¥0.20 billion cash and cash equivalents recorded due to the inclusion of a subsidiary in consolidation, the balance of cash and cash equivalents at June 30, 2010 was ¥41.10 billion, a decrease of ¥1.70 billion from the end of the previous fiscal year.

(3) Qualitative Information on Projected Consolidated Results

The projected full-year consolidated results for fiscal 2011 announced on April 28, 2010 have not been revised.

2. Others

(1) Changes in Significant Consolidated Subsidiaries

No

(2) Application of Accounting Methods for Quarterly Consolidated Financial Statements That Are Simplified or Extraordinary

No

(3) Outline of Changes in Significant Accounting Policies, Procedures and Presentation:

(i) From the first quarter of the fiscal year ending March 31, 2011, Nagase applies the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16, March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24, March 10, 2008).

This change has had no impact on the consolidated operating income and ordinary income.

(ii) From the first quarter of the fiscal year ending March 31, 2011, Nagase applies the “Accounting Standard for Asset Retirement Obligation” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

This change has had no impact on the consolidated operating income and ordinary income.