

# Summary of Consolidated Business Results for the Third Quarter Ended December 2007

January 31, 2008

Company Name Nagase & Co., Ltd Stock Exchanges Listed: Tokyo, Osaka  
 Listing Code 8012 Location of Head Office: Osaka Prefecture  
 (URL <http://www.nagase.co.jp/>)  
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## 1. Consolidated Business Results for the Third Quarter Ended December 2007 (April 1, 2007 – December 31, 2007)

### (1) Consolidated Operating Results

(Note: Amounts have been rounded off to the nearest million yen)

|  | Net Sales  |      | Operating Income |      | Ordinary income |      |
|--|------------|------|------------------|------|-----------------|------|
|  | ¥ Millions | %    | ¥ Millions       | %    | ¥ Millions      | %    |
| Third Quarter Ended December 2007                | 568,422    | 8.2  | 17,358           | 4.4  | 18,693          | 4.4  |
| Third Quarter Ended December 2006<br>(Reference) | 525,155    | 10.8 | 16,621           | 18.9 | 17,897          | 13.9 |
| Period Ended March 31, 2007                      | 701,321    |      | 21,669           |      | 23,231          |      |

|  | Net (quarterly) income |       | EPS (quarterly) | Fully Diluted EPS (quarterly) |
|--|------------------------|-------|-----------------|-------------------------------|
|  | ¥ Millions             | %     | ¥               | ¥                             |
| Third Quarter Ended December 2007                | 3,595                  | -65.0 | 27.98           | 27.92                         |
| Third Quarter Ended December 2006<br>(Reference) | 10,271                 | -4.0  | 80.17           | 79.91                         |
| Period Ended March 31, 2007                      | 13,567                 |       | 105.85          | 105.51                        |

Notes: Figures shown in percentage of sales, operating income and other items show the ratios of sequential changes compared with the Third quarter of 2007.

### (2) Consolidated Financial Position

|  | Total Assets | Shareholder's Equity | Shareholder's Equity Ratio | Shareholders Equity Per Share |
|--|--------------|----------------------|----------------------------|-------------------------------|
|  | ¥ Millions   | ¥ Millions           | %                          | ¥                             |
| Third Quarter Ended December 2007                | 438,877      | 207,291              | 45.5                       | 1,554.07                      |
| Third Quarter Ended December 2006<br>(Reference) | 419,949      | 207,161              | 47.8                       | 1,565.34                      |
| Period Ended March 31, 2007                      | 422,859      | 211,672              | 48.5                       | 1,597.27                      |

### (3) Consolidated Cash Flows

|  | Net Cash from operating activities | Net Cash Used for Investment Activities | Net Cash Used for Financial Activities | Balance of Cash and Cash Equivalents at Term End |
|--|------------------------------------|---|--|--|
|  | ¥ Millions                         | ¥ Millions                              | ¥ Millions                             | ¥ Millions                                       |
| Third Quarter Ended December 2007                | -4,949                             | -3,429                                  | 8,229                                  | 22,089   |
| Third Quarter Ended December 2006<br>(Reference) | 4,970                              | -3,942                                  | -4,303                                 | 20,769   |
| Period Ended March 31, 2007                      | 10,855                             | -5,203                                  | -8,420                                 | 21,919   |

## 2. Dividends

The Company does not issue third-quarter dividends.

There is no change in the dividend forecast for the fiscal year ending March 31, 2008, as announced on October 31, 2007.

|  | Dividends per share (¥) |          |           |
|--|-------------------------|----------|-----------|
|  | Interim                 | Year-end | Full-year |
| Fiscal year ended March 31, 2007           | 7.50                    | 10.50    | 18.00     |
| Fiscal year ending March 31, 2008 (Actual) | —                       | —        | 17.00     |
| Fiscal year ending March 31, 2008 (Proj.)  | —                       | 17.00    |           |

Note: The year-end dividend for the fiscal year ended March 31, 2007 included a special commemorative dividend of ¥2.00 per share.

## 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2008 (April 1, 2007 - March 31, 2008)

No change has been made to the forecasts published on October 30, 2006

(Percentages represent change compared with the previous fiscal year.)

|                                   | Net sales   |     | Operating income |     | Ordinary income |     | Net income  |        | Earnings per share (¥) |
|-----------------------------------|-------------|-----|------------------|-----|-----------------|-----|-------------|--------|------------------------|
|                                   | (¥ million) | (%) | (¥ million)      | (%) | (¥ million)     | (%) | (¥ million) | (%)    |                        |
| Fiscal year ending March 31, 2008 | 752,000     | 7.2 | 21,900           | 1.1 | 23,600          | 1.6 | 7,100       | (47.7) | 55.23                  |

#### 4. Other

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No
  - (2) Use of simplified accounting methods: Yes
  - (3) Changes in consolidated accounting methods from the most recent fiscal year: No
- See "4. Other" of "Qualitative Information and Financial Statements" on page 3.

#### About the Projected Consolidated Results

The projected consolidated results for the fiscal year ending March 31, 2008 contained in this document are based on information currently available to the Company and certain assumptions it considers reasonable. Due to various factors, actual results may differ materially from the forecast.

### Qualitative Information and Financial Statements

#### 1. Qualitative Information on Consolidated Operating Results

##### (1) Summary of Overall Performance

Through the first nine months of the fiscal year ending March 31, 2008, moderate economic expansion continued in Japan as corporate profits remained strong, despite weakness in certain sectors. However, economic trends overseas, particularly the outlook for the U.S. economy in light of the subprime loan problem as well as the direction of crude oil prices, continued to cause concern.

Under these conditions, for the nine months ended December 31, 2007, Nagase posted domestic sales of ¥321.76 billion (an increase of 3.9 percent from the same period of the previous year) and overseas sales of ¥246.66 billion (up 14.4 percent), for total net sales of ¥568.42 billion (up 8.2 percent).

Due to the increase in net sales, gross profit was ¥59.86 billion (up 8.1 percent). Operating income was ¥17.35 billion (up 4.4 percent) and ordinary income was ¥18.69 billion (up 4.4 percent), despite an increase in selling, general and administrative expenses due to factors including amortization of actuarial gains in retirement benefit accounting. However, net income was ¥3.59 billion (down 65.0 percent) due to factors including an extraordinary loss on the voluntary recall of portable DVD players and other products sold by the Company.

##### (2) Segment Summary

###### [Chemicals] Sales: ¥200.57 billion, 8.5 percent increase from the same period of the previous year

The Chemicals segment performed strongly overall. In the colors and imaging business, which handles pigments, dyestuffs and other products related to color, sales were held to a slight increase, but sales expanded sharply in the specialty chemicals business, which handles a wide range of surfactants and oil solutions as well as materials for organic synthesis such as silicones and fluorochemicals. Sales also expanded for products handled by the performance chemicals business, including coating and urethane materials and plastic raw materials and additives.

###### [Plastics] Sales: ¥201.44 billion, 9.7 percent increase from the same period of the previous year

The Plastics segment performed well overall. Sales continued to expand in Asia, centered on Thailand and other ASEAN countries, as well as China and the East China region, including Shanghai. Sales of engineering plastics for CDs, DVDs and other media applications, mainly in Taiwan, decreased, but sales for automotive applications increased, including sales in Japan, Europe and North America. Sales of products for electronic equipment applications decreased in Japan.

###### [Electronics] Sales: ¥123.35 billion, 9.3 percent increase from the same period of the previous year

In the Electronics segment, overall sales were strong. Sales continued to expand in the display business, which is focused on processing of components for LCDs and electronic equipment, while sales of information and functional materials, such as precision abrasives and semiconductor encapsulants, also increased. In addition, sales of formulated epoxy resins and chemicals also increased. However, sales of supply and control equipment used in front-end-of-line processing of LCDs and semiconductors decreased, and sales of the electronic chemicals business were limited to a slight increase.

###### [Life Sciences] Sales: ¥41.45 billion, 5.3 percent increase from the same period of the previous year

In the Life Sciences segment, sales in the beauty care products business, which handles cosmetics and health foods, decreased slightly but sales of pharmaceutical intermediates in the fine chemicals business expanded, resulting in a solid increase in sales overall.

###### [Others] Sales: ¥1.58 billion, 63.6 percent decrease from the same period of the previous year

Sales of the Others segment decreased substantially because of the transfer of the business of direct sales of DVD movie software and other products to consumers in the previous fiscal year, in addition to a voluntary recall of portable DVD players and other products.

## **2. Qualitative Information on Consolidated Financial Position**

### **(1) Assets, Liabilities and Net Assets**

Total assets increased ¥16.01 billion compared with the end of the previous fiscal year to ¥438.87 billion despite a decrease in investments in securities due to a decline in stock prices and the sale of stocks. Main factors in the increase included an increase in notes and accounts receivable reflecting the increase in net sales, and an increase in other current assets due to an increase in deferred tax assets associated with the provision of a reserve for voluntary recall of products.

Liabilities increased ¥20.39 billion from the end of the previous fiscal year to ¥231.58 billion due to factors including the provision of a reserve for voluntary recall of products and increases in short-term loans and long-term debt.

Net assets decreased ¥4.38 billion compared with the end of the previous fiscal year to ¥207.29 billion despite an increase in retained earnings, as a result of a decrease in unrealized holding gain on securities.

As a result, the net worth ratio declined 3.0 percentage points to 45.5 percent from 48.5 percent at the end of the previous fiscal year.

### **(2) Summary of Consolidated Cash Flows**

Net cash used in operating activities was ¥4.94 billion, due to factors including an increase in working capital and income taxes paid.

Net cash used in investing activities was ¥3.42 billion, as a result of factors including purchases of property, plant and equipment and intangible fixed assets that offset proceeds from sales of investments in securities.

Net cash provided by financing activities was ¥8.22 billion. Cash dividends paid were offset by factors including proceeds from long-term debt and a net increase in short-term loans.

As a result, the balance of cash and cash equivalents at December 31, 2007 was ¥22.08 billion, a decrease of ¥0.17 billion from the end of the previous fiscal year.

## **3. Qualitative Information on Consolidated Performance Forecast**

At present, there is no change to the figures in the consolidated and non-consolidated performance forecasts announced on October 30, 2007.

## **4. Other**

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries involving changes in the scope of consolidation):  
None applicable
- (2) Use of simplified accounting methods:  
Some simplified methods are applied, including income tax calculations using projected annual tax rates based on the effective tax rate.
- (3) Changes in consolidated accounting methods from the most recent fiscal year:  
None applicable