

Summary of Consolidated Business Results for the Third Quarter Ended December 2006

January 31, 2007

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 Listing Code 8012 Location of Head Office: Osaka Prefecture
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1. Matters concerning the preparation of the Summary of Business Results for the Third Quarter of fiscal 2006

(1) Use of simplified accounting procedures:

(Description):

Accounting standard of income and other taxes: The amount of these taxes was calculated using the estimated yearly tax rates based on the legal effective tax rates.

For some account items with minor effects, a simpler calculation method was used.

(2) Changes in accounting policies compared to recent consolidated fiscal year:

(Description):

Change of segment classify

(3) Change in the applicable scope of the consolidation and equity method:

Consolidated Subsidiaries: New: 7 Excluded: 0

Equity method: New: 2 Excluded: 0

2. Consolidated Business Results for the Third Quarter Ended December 2006 (April 1, 2006 – December 31, 2006)

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 2006	525,155	10.8	16,621	18.9	17,897	13.9
Third Quarter Ended December 2005 (Reference)	474,068	11.3	13,979	33.0	15,710	29.7
Period Ended March 31, 2006	648,023		17,596		18,798	

	Net (quarterly) income		EPS (quarterly)	Fully Diluted EPS (quarterly)
	¥ Millions	%	¥	¥
Third Quarter Ended December 2006	10,271	-4.0	80.17	79.91
Third Quarter Ended December 2005 (Reference)	10,702	46.3	83.86	83.70
Period Ended March 31, 2006	12,892		100.33	100.05

Notes: Figures shown in percentage of sales, operating income and other items show the ratios of sequential changes compared with the Third quarter of 2006.

2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
Third Quarter Ended December 2006	419,949	207,161	47.8	1,565.34
Third Quarter Ended December 2005 (Reference)	390,409	190,257	48.7	1,487.05
Period Ended March 31, 2006	396,773	196,620	49.6	1,535.70

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 2006	4,970	-3,942	-4,303	20,769
Third Quarter Ended December 2005 (Reference)	-7,975	-1,553	9,645	19,092
Period Ended March 31, 2006	-2,341	-3,809	9,330	22,936

3. Consolidated Forecasts for the Year Ended March 31, 2007 (April 1, 2006 - March 31, 2007)

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

	Net Sales	Recurring Income	Net Income
	¥ Millions	¥ Millions	¥ Millions
Whole Year	694,000	22,700	13,600

(Reference) Expected EPS (Whole Year) ¥ 106.02

*The above forecasts were prepared on the basis of information available on the date of release. Actual results may differ from these forecasts due to various factors.

Business Performance and Financial Position

[Business Performance]

Summary of Overall Performance

Through the first nine months of the fiscal year ending March 31, 2007, the Japanese economy continued to expand, albeit moderately, led by increased exports and corporate capital investment. However, elements of uncertainty continued regarding economic trends overseas, in particular the outlook for the U.S. economy and fluctuations in crude oil prices. Under these conditions, for the nine months ended December 31, 2006, Nagase posted domestic sales of ¥309.54 billion (an increase of 7.5 percent from the same period in the previous year) and overseas sales of ¥215.60 billion (up 15.9 percent), for total net sales of ¥525.15 billion (up 10.8 percent). Due to the increase in net sales and other factors, operating income was ¥16.62 billion (up 18.9 percent) and ordinary income was ¥17.89 billion (up 13.9 percent). However, net income was ¥10.27 billion (down 4.0 percent) due to factors including a substantial decrease in gains on sales of property and equipment and investments in securities.

Segment Summary

Starting from the current fiscal year, business segment classifications have been partially revised. For details of the revision, refer to “4. Segment Information” on page 6.

[Chemicals] Sales: ¥184.87 billion, 10.7 percent increase year-on-year

The Chemicals segment performed strongly overall. Sales grew in the performance chemicals business, which handles paint and urethane materials, plastic materials and additives, and other products. Sales also expanded in the colors and imaging business, which handles pigments, dyestuffs and other products related to color, and the speciality chemicals business, which handles a wide range of surfactants, industrial oil solutions, and materials for organic synthesis such as silicones and fluorochemicals.

[Plastics] Sales: ¥183.71 billion, 8.9 percent increase year-on-year

Sales in the Plastics segment increased overall. Strong sales continued in Greater China, which includes Hong Kong, Taiwan and China, and in the Asia region, which includes Thailand, Singapore and other ASEAN countries. Sales of engineering plastics for CDs, DVDs and other media applications decreased, but sales of products for automobile components and precision equipment such as printers and copiers increased. Sales of products for building materials and housing equipment, primarily in Japan, were firm.

[Electronics] Sales: ¥112.85 billion, 25.4 percent increase year-on-year

Sales of the Electronics segment increased substantially. Sales were strong in both the electronic chemicals business, including formulated epoxy resins and chemicals and chemical supply and control equipment

used in post-processing of LCDs and semiconductors, and the display business, including LCD and electronic equipment component processing. In addition, sales also increased in the information and functional materials business, which includes materials for precision abrasives, encapsulants used in semiconductor post-processing, and surface inspection systems.

[Life Sciences] Sales: ¥39.35 billion, 6.6 percent decrease year-on-year

Sales of the Life Sciences segment decreased overall. In the fine chemicals business, sales of fermentation products increased slightly, but sales of pharmaceutical intermediates decreased. Sales in the beauty care business, which sells cosmetics and health foods, decreased slightly. In addition, Nagase implemented a drastic restructuring of the medical care business, including withdrawal from businesses, in the previous fiscal year.

[Others] Sales: ¥4.35 billion, 29.0 percent decrease year-on-year

Sales of the Others segment decreased due to weak sales of products such as DVD players with LCD screens and the transfer of the direct sales business, which sold DVD movie software and other products to end-users.

[Financial Position]

Total assets increased ¥23.17 billion compared with the end of the previous fiscal year to ¥419.94 billion. Investments in securities decreased because of a drop in stock prices, but notes and accounts receivable increased due to the increase in net sales and because the balance sheet closing date was a business holiday.

Net assets including minority interests increased ¥4.78 billion compared with the end of the previous fiscal year to ¥207.16 billion, despite a decrease in unrealized holding gain on securities declared as net assets, as a result of the increase in retained earnings and other factors.

As a result, the net worth ratio declined 1.8 percentage points to 47.8 percent from 49.6percent at the end of the previous fiscal year.

[Summary of Consolidated Cash Flows]

Despite taxes paid and other items, net cash provided by operating activities was ¥4.97 billion due to income before income taxes and minority interests of ¥17.99 billion.

Net cash used in investing activities was ¥3.94 billion due to factors including payment for purchases of property and equipment and purchases of investments in securities.

Net cash used in financing activities was ¥4.30 billion due to factors including repayment of commercial paper and cash dividends paid.

As a result, the balance of cash and cash equivalents at December 31, 2006 was ¥20.76 billion, a decrease of ¥2.16 billion from the end of the previous fiscal year.

[Performance Forecast for the Fiscal Year]

At present, there is no change to the figures in the consolidated and non-consolidated performance forecasts announced on October 30, 2006.