

**Briefing Session on  
Financial Results for the Second Quarter  
of the Fiscal Year Ending March 31, 2009**

**A technology and intelligence oriented company  
that turns wisdom into business**

Nagase & Co., Ltd.  
November 20, 2008

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Creating core technologies for next-generation businesses

**Financial Highlights of the Second Quarter of  
the Fiscal Year Ending March 31, 2009**

## Overview of Consolidated Second Quarter Financial Results

### ◆ Overview of results for the six months ended September 30, 2008

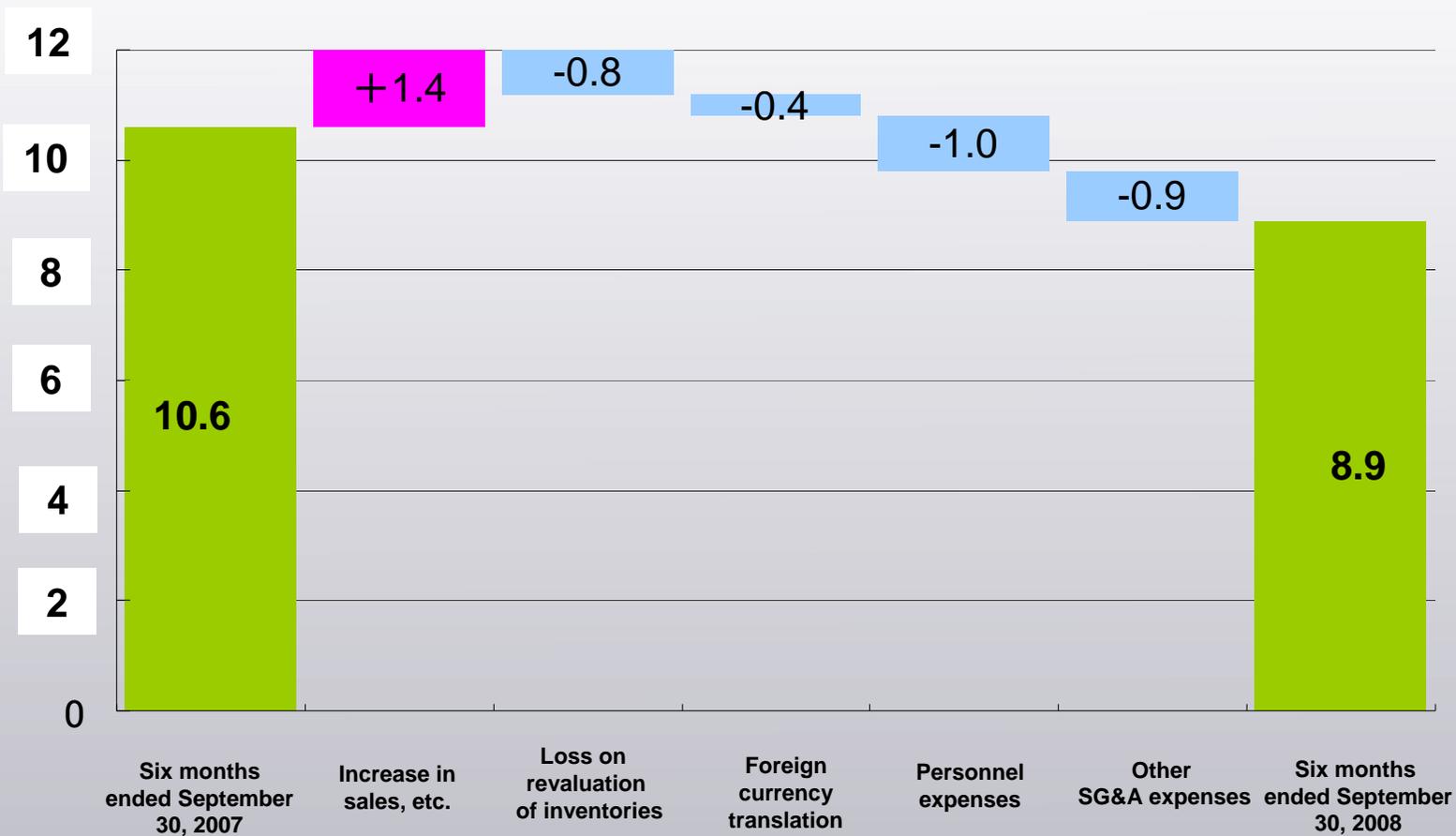
Although net sales increased 4.0%, operating income decreased 16% due to factors including amortization of actuarial gain in retirement benefit accounting and weak results from domestic manufacturing subsidiaries.

(¥ Billion)

	Sept. 2008	Sept. 2007	Increase (Decrease)	YoY Comparison	(Reference) April 2008 Forecast
<b>Net Sales</b>	384.6	369.2	+15.3	104%	385.0
<b>Gross Profit</b>	39.0	38.7	+0.3	101%	40.9
<b>SG&amp;A Expenses</b> [Amortization of actuarial gain in retirement benefit accounting included in SG&A expenses]	-30.1 [-1.0]	28.0 [-0.1]	-2.0	107%	-30.3
<b>Operating Income</b>	8.9	10.6	-1.7	84%	10.6
<b>Ordinary Income</b>	9.8	11.6	-1.8	85%	11.1
<b>Net Income</b>	5.7	-0.6	+6.3	—	6.5
<b>Net Income per Share (¥)</b>	44.38	-5.00	—	—	—
<b>Cash Dividends per Share (¥)</b>	8.00	0	+8.00	—	10.00

## Factors That Increased/Decreased Operating Income

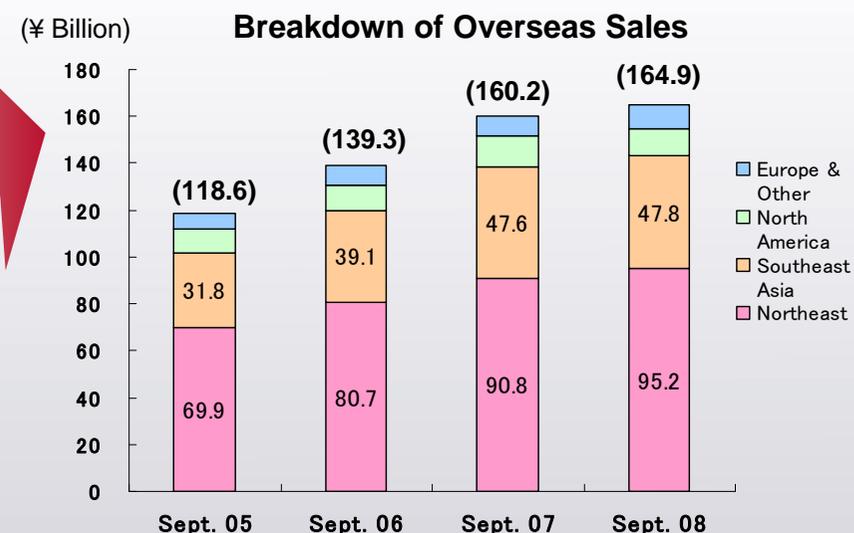
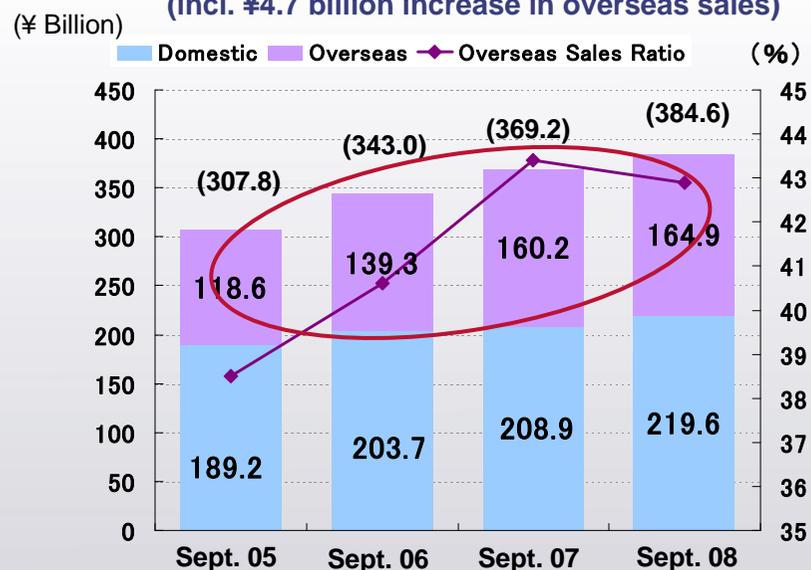
(¥ Billion)



## Net Sales by Region (Domestic & Overseas)

◆ Net sales ¥384.6 billion, up ¥15.3 billion from same period of previous year

(incl. ¥4.7 billion increase in overseas sales)



Achieved sales growth in all regions except North America; overseas sales ratio remained essentially unchanged from 43.4% at 42.9%

### 1) Northeast Asia (Greater China)

- Expanded sales of chemicals and automotive plastics in China and South China
- Growth in sales of plastics for electronic equipment applications incl. printers and copiers in Hong Kong and Taiwan
- Decrease in sales of electronic equipment-related component processing in Hong Kong

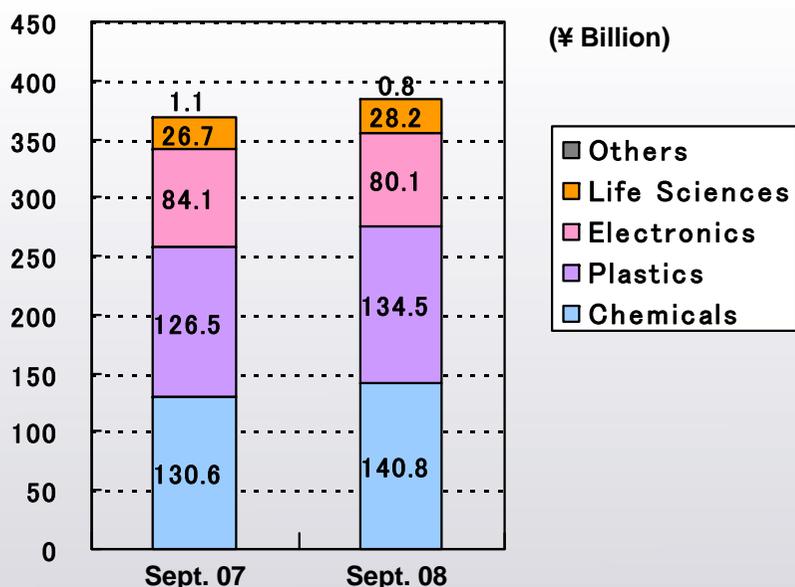
### 2) Southeast Asia (ASEAN)

- Flat sales due in part to high yen currency exchange rates

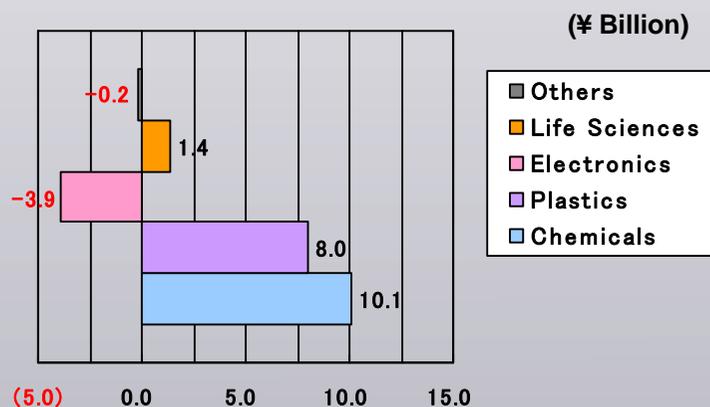
### 3) North America, Europe, Other

- Decreased sales in North America due in part to high yen currency exchange rates; increased sales in Europe due to increase at Nagase (Europa) GmbH (NGH)

## Net Sales by Business Segment



Increase/Decrease in Sales by Segment



### Review of Sales by Business Segment (Comparison with Same Period of Previous Year)

#### Chemicals +¥10.1 billion (108%)

- Substantial increase in sales of LCD-related materials
- Strong sales in the speciality chemicals business, which handles a wide range of organic raw materials
- Increase in sales due to selling price increases for products including plastic raw materials and additives

#### Plastics +¥8.0 billion (106%)

- Decrease in sales in the ASEAN region due to the high yen currency exchange rate
- Increase in sales in Greater China, incl. Hong Kong and Taiwan
- Decrease in sales in Japan of plastics for precision equipment and electronic equipment, and for building materials and packaging materials
- Automotive application-related sales remained strong

#### Electronics -¥3.9 billion (95%)

- Abrasive material sales continued to increase
- Sales of Nagase ChemteX's chemicals, formulated epoxy resins and other products increased
- Sales of the LED-related component assembly business fell below the same period of the previous fiscal year

#### Life Sciences +¥1.4 billion (105%)

- Sales increased, focused on pharmaceutical intermediates
- Sales of the beauty care business and fermentation-related products remained largely unchanged

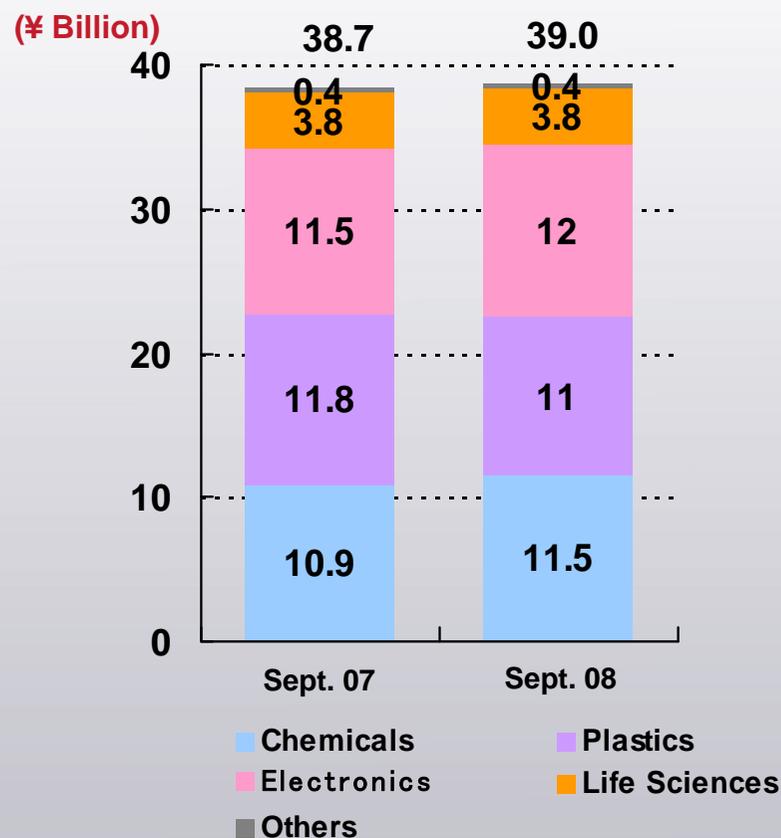
#### Others - ¥0.2 billion (74%)

- Sales decreased substantially due to the voluntary recall and suspension of sales of DVD players in the previous fiscal year

## Gross Profit by Business Segment

**¥39.0 billion, up ¥0.3 billion**

**100% vs. same period of previous year 96% of forecast**



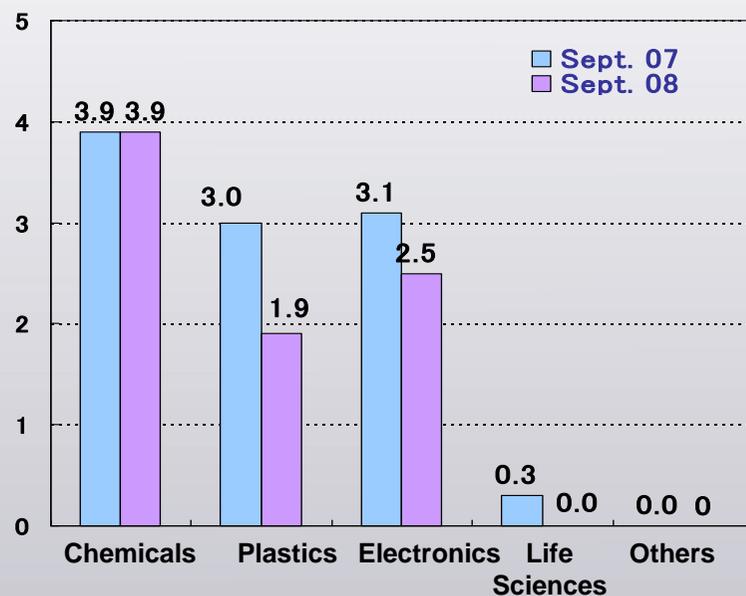
### Overview of Gross Profit by Business Segment (Comparison with Same Period of Previous Year)

Chemicals	+¥0.6 billion	(106%)
Plastics	-¥0.7 billion	(94%)
Electronics	+¥0.4 billion	(104%)
Life Sciences	-¥0.0 billion	(99%)
Others	+¥0.0 billion	(104%)

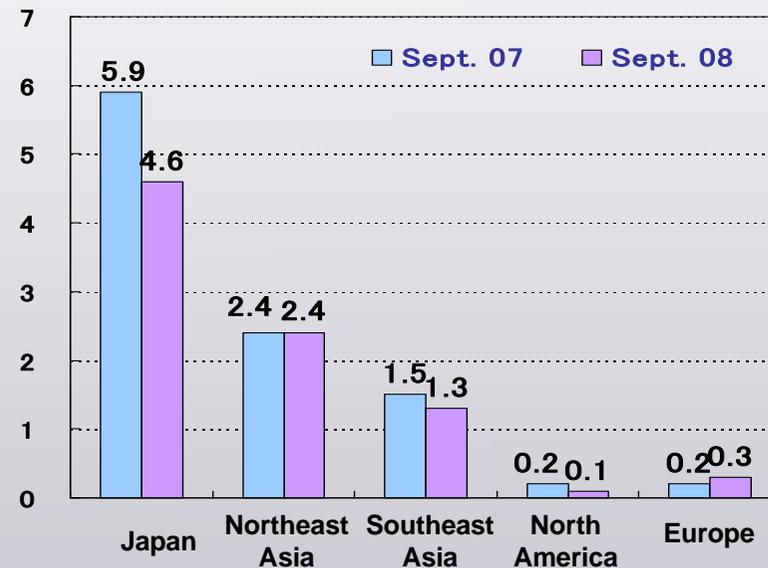
## Operating Income

**¥8.9 billion, down ¥1.7 billion (83.8% vs. same period of previous year)**

(¥ Billion) **Operating Income by Business Segment**



(¥ Billion) **Operating Income by Geographical Segment**



## Non-Operating Income/Loss and Extraordinary Income/Loss

### Non-Operating Income/Loss

(¥ Billion)

	Sept. 2008	Sept. 2007	Increase (Decrease)	YoY Comparison
<b>Non-Operating Income/Loss</b>	<b>0.9</b>	1.0	-0	92%
Net interest income	0.2	0.2	-0	98%
Others	0.6	0.7	-0	90%

### Extraordinary Income/Loss

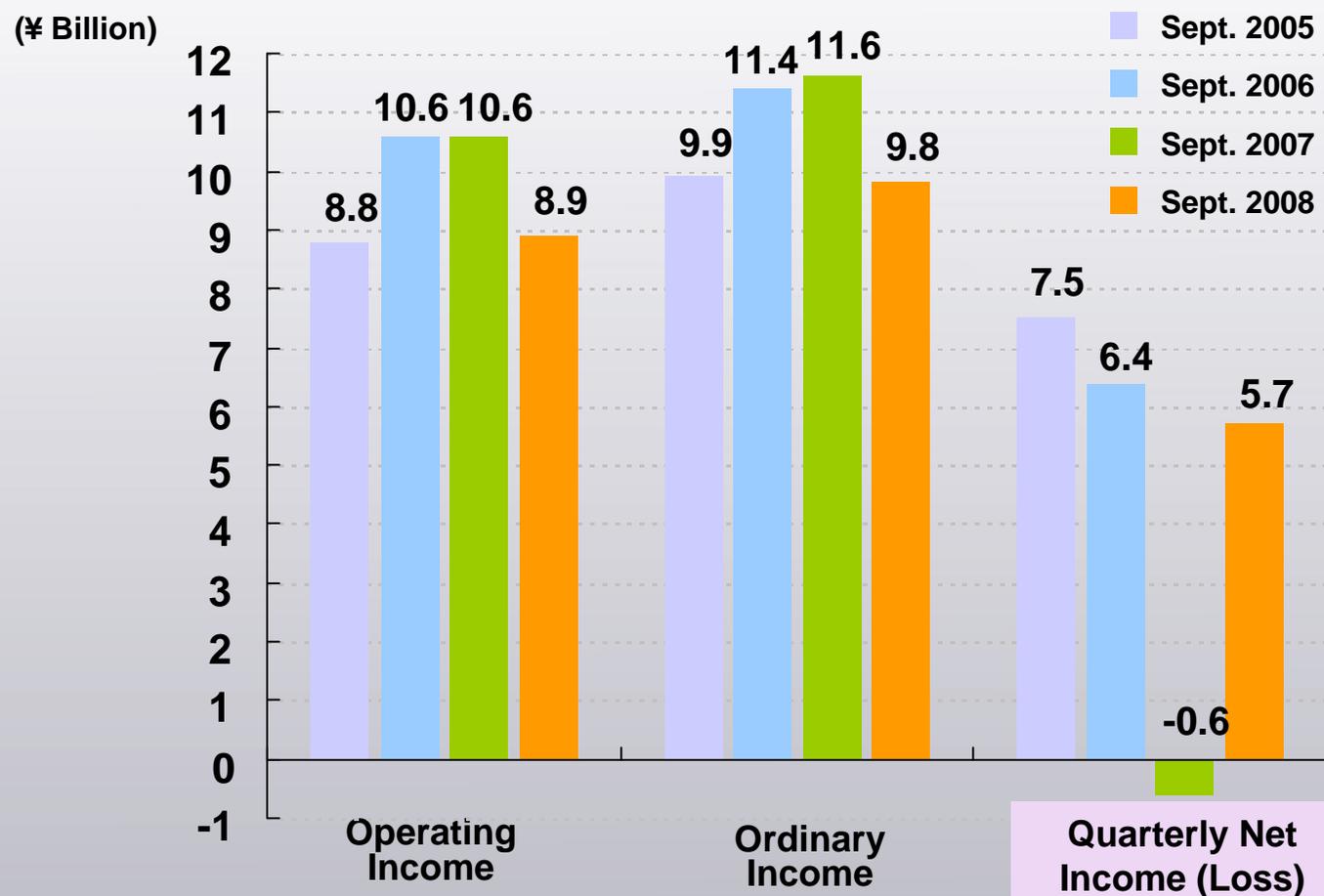
(¥ Billion)

	Sept. 2008	Sept. 2007	Increase (Decrease)
<b>Extraordinary Income</b>	<b>0</b>	2.6	-2.6
Gain on sales of property and equipment	0	0	0
Gain on sales of investment securities	0	2.6	-2.6
<b>Extraordinary Loss</b>	<b>0.1</b>	14.6	-14.5
Loss on voluntary recall of goods	—	14.3	-14.3
Others	0.1	0.3	-0.2

## Ordinary Income and Quarterly Net Income (Loss)

Ordinary Income: ¥9.8 billion, down ¥1.7 billion year-on-year (84% vs. same period of previous year)

Quarterly Net Income: ¥5.7 billion, up ¥6.3 billion from same period of previous year



## Major Changes in Balance Sheet

Investments in securities decreased ¥5.2 billion, and valuation, foreign currency and other adjustments decreased ¥5.5 billion

(¥ Billion)

Assets	Sept. 2008	March 2008	Increase/Decrease	Liabilities and Net Assets	Sept. 2008	March 2008	Increase/Decrease
Cash and time deposits	23.5	23.4	+0.1	Notes and accounts payable	135.1	134.8	+0.3
Notes and accounts receivable	230.3	231.8	-1.4	Short-term loans	18.2	24.3	-6.1
Inventories	43.4	42.9	+0.4	Provision for voluntary recall of goods	0.3	0.5	-0.2
Other current assets	9.6	11.3	-1.7	Other current liabilities	22.7	24.1	-1.3
Property, plant and equipment	37.2	35.8	+1.4	Long-term debt	13.5	8.9	+4.5
Intangible fixed assets	3.1	3.3	-0.2	Accrued retirement benefits for employees	6.9	6.6	+0.2
Investments in securities	57.2	62.5	-5.2	Other fixed liabilities	9.1	11.8	-2.7
Other fixed assets	7.8	8.4	-0.6				
				Shareholders' equity	183.5	180.0	+3.5
				[Treasury stock included in above]	[-5.3]	[-5.3]	[-0]
				Valuation, foreign currency and other adjustments	15.0	20.5	-5.5
				Stock acquisition rights	0.2	0.1	+0
				Minority interests	7.6	7.6	+0
				[Net worth ratio]	[ 48.1%]	[ 47.8%]	[ +0.3 %]
<b>Total assets</b>	<b>412.5</b>	<b>419.8</b>	<b>-7.3</b>	<b>Total liabilities and net assets</b>	<b>412.5</b>	<b>419.8</b>	<b>-7.3</b>

## Cash Flows

Despite factors including taxes paid, net cash provided by operating activities was ¥12.1 billion due to income before income taxes and other sources of cash flow.

Investing activities used net cash of ¥6.2 billion due to factors including purchases of property and equipment.

Although there were proceeds from long-term debt, financing activities used net cash of ¥4.0 billion due to factors including decrease in short-term debt, and cash dividends paid.

(¥ Billion)

	Sept. 2008	Remarks	Sept. 2007
<b>Operating activities</b>	12.1	Income before income taxes	-5.1
		Depreciation and amortization	
		Working capital	
		Taxes paid	
<b>Investing activities</b>	-6.2	Purchases of property and equipment	-1.2
		Other	
<b>Financing activities</b>	-4.0	Decrease in short-term debt	7.6
		Proceeds from long-term debt	
		Cash dividends paid	
<b>Increase/decrease of cash and cash equivalents</b>	0.1		3.2
<b>Cash and cash equivalents at the end of the period</b>	23.5		25.1

## Performance of Major Consolidated Subsidiaries

(¥ Million)

	Company Name	Net Sales	YoY Comparison	Operating Income	YoY Comparison	Net Income	YoY Comparison
Parent Company	Nagase & Co., Ltd.	264,550	104%	3,191	90%	4,777	-
Manufacturing	Nagase ChemteX Corporation	13,527	101%	939	70%	570	83%
	Totaku Industries, Inc.	3,449	99%	53	29%	83	53%
Sales	Nagase Plastics Co., Ltd.	7,504	104%	59	212%	39	672%
	Nagase Chemical Co., Ltd.	7,215	101%	111	120%	60	127%
	Nagase Colors & Chemicals Co., Ltd.	7,585	113%	110	122%	67	135%
Overseas	Nagase (Hong Kong) Ltd.	36,487	89%	667	79%	516	76%
	Nagase (Thailand) Co., Ltd.	17,571	109%	655	81%	492	88%
	Nagase Singapore (Pte) Ltd.	16,643	94%	194	58%	175	55%

**Performance Forecast for  
the Fiscal Year Ending March 31, 2009 and  
Progress of Medium-Term Management Plan WIT2008**

## Performance Forecast for the Fiscal Year Ending March 31, 2009

(¥ Billion)

	<b>Fiscal Year Ending March 31, 2009 (second- quarter forecast)</b>	<b>Fiscal Year Ending March 31, 2009 (April 30 forecast)</b>	<b>Change from Forecast Announced April 30</b>	<b>Fiscal Year Ended March 31, 2008 (Actual)</b>	<b>YoY Comparison (%)</b>
<b>Net Sales</b>	<b>770.0</b>	<b>770.0</b>	<b>0.0</b>	<b>764.7</b>	<b>101%</b>
<b>Gross Profit</b>	<b>79.6</b>	<b>81.9</b>	<b>-2.3</b>	<b>80.5</b>	<b>99%</b>
<b>Operating Income</b>	<b>18.0</b>	<b>21.0</b>	<b>-3.0</b>	<b>23.0</b>	<b>78%</b>
<b>Ordinary Income</b>	<b>19.5</b>	<b>22.0</b>	<b>-2.5</b>	<b>24.8</b>	<b>79%</b>
<b>Net Income</b>	<b>9.0</b>	<b>13.0</b>	<b>-4.0</b>	<b>10.0</b>	<b>90%</b>
<b>Cash Dividends per Share (¥)</b>	<b>16.00</b>	<b>20.00</b>	<b>-4.00</b>	<b>17.00</b>	<b>94%</b>

## Performance Forecast by Segment for the Fiscal Year Ending March 31, 2009

(¥ Billion)

	Fiscal Year Ending March 31, 2009 (second-quarter forecast)	Fiscal Year Ending March 31, 2009 (April 30 forecast)	Fiscal Year Ended March 31, 2008 (Actual)	YoY Comparison (%)
<b>Chemicals</b>	<b>280.0</b>	<b>272.0</b>	<b>267.8</b>	<b>105%</b>
<b>Plastics</b>	<b>272.0</b>	<b>277.0</b>	<b>274.6</b>	<b>99%</b>
<b>Electronics</b>	<b>159.0</b>	<b>159.5</b>	<b>163.8</b>	<b>97%</b>
<b>Life Sciences</b>	<b>57.0</b>	<b>59.8</b>	<b>56.4</b>	<b>101%</b>
<b>Others</b>	<b>2.0</b>	<b>1.7</b>	<b>1.9</b>	<b>103%</b>
<b>Total</b>	<b>770.0</b>	<b>770.0</b>	<b>764.7</b>	<b>101%</b>

## Positioning of Medium-Term Management Plan WIT2008

### Reform

#### WIT2000

- Reform management foundations
- Launch Group management

### Promotion

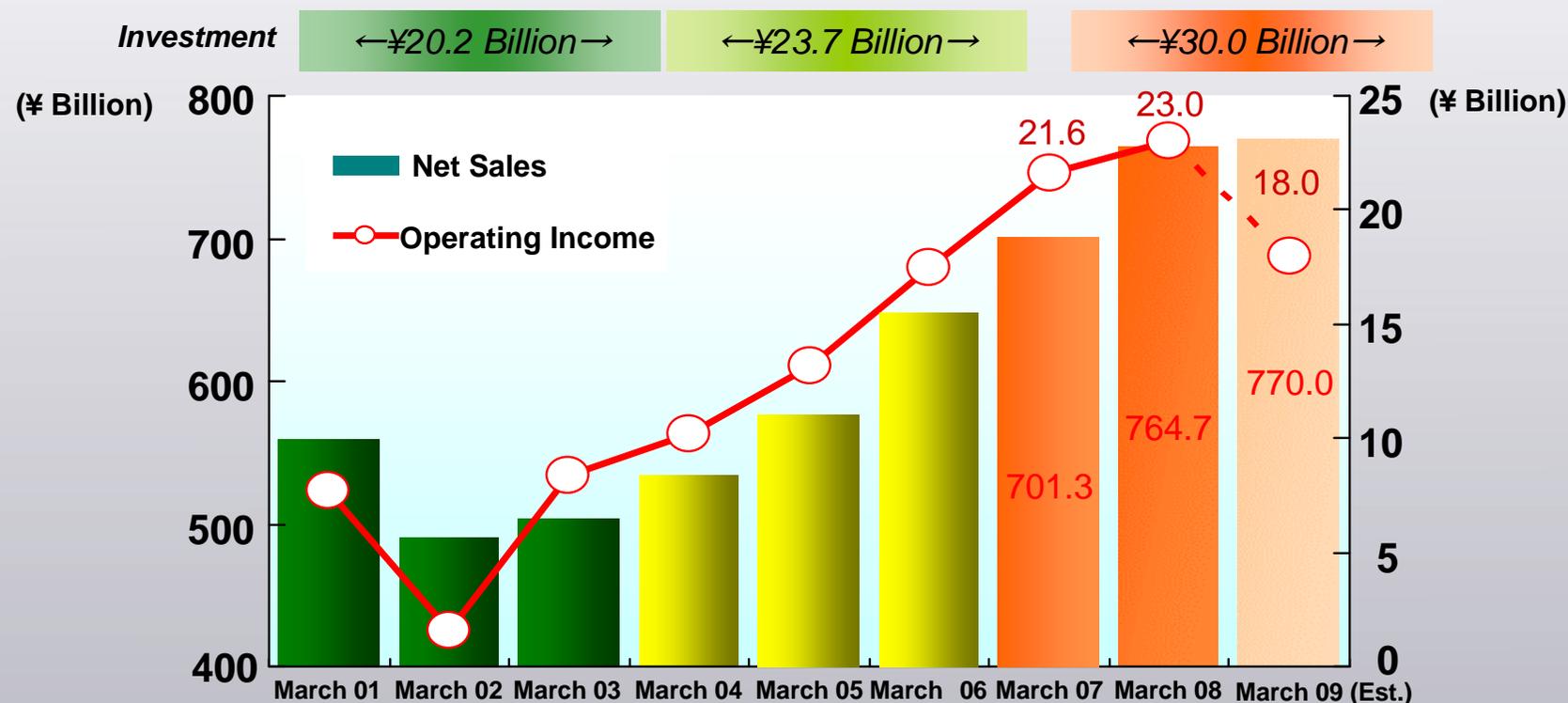
#### WIT21

- Clearly define business policy
- Enhance business foundations
- Enhance management foundations

### Reinforcement

#### WIT2008

- Strengthen administrative operations
- Maintain Nagase's unique corporate culture
- Deepen business portfolio strategy



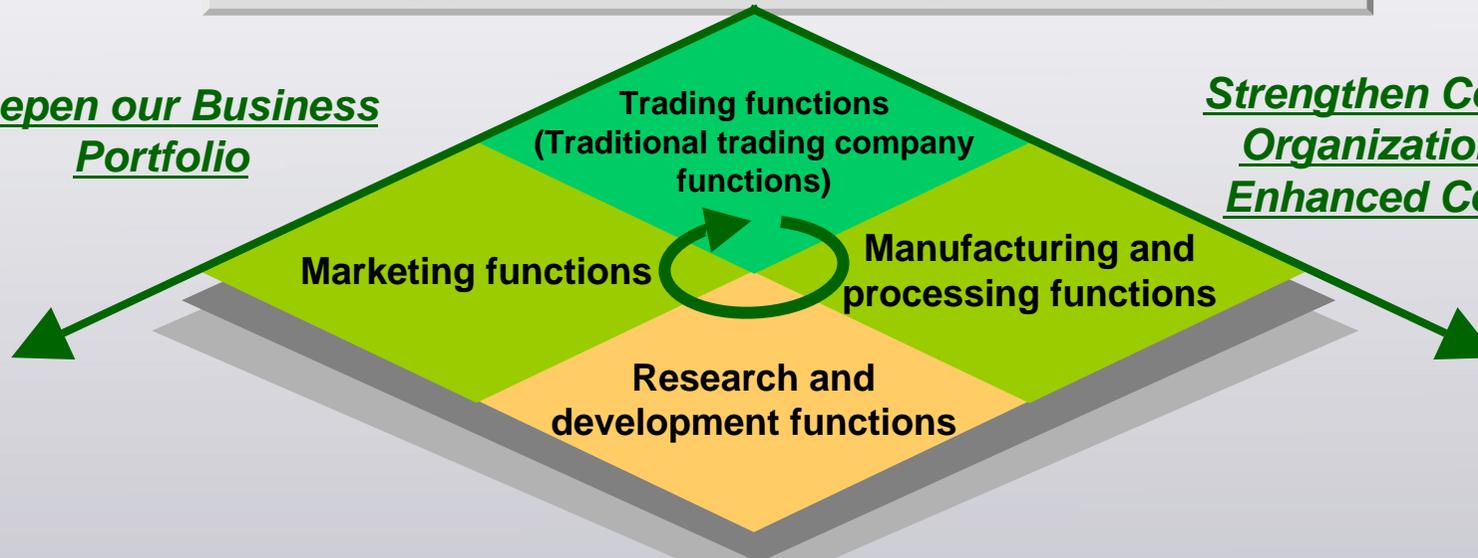
## Toward the Post-WIT2008 Era

**Nagase's DNA as a technology and intelligence-oriented trading company**  
A distinctive specialized trading company with extensive expertise

**Business Selection and Concentration**  
Thoroughly reassess fields where we can fully exercise our strengths

*Deepen our Business Portfolio*

*Strengthen Consolidated Organization through Enhanced Cooperation*



**Creating core technologies for next-generation businesses**  
Use results of the Nagase R&D Center for post-WIT2008 development

## **Initiatives at the Nagase R&D Center**

**Creating core technologies for next-generation businesses**

Masafumi Moriwaki,  
Technology Officer and  
Head of Nagase R&D Center

## Overview of the Nagase R&D Center

### ■ Opened: April 1990

- Established as the R&D base for Nagase Co., Ltd.

### ■ Purpose

- Be a base for the creation of businesses that leverage the Group's comprehensive strengths through development of leading technologies

### ■ Current Activities

- Core technologies: Organic synthesis technology, biotechnology (microorganisms), and natural materials development and application technologies
- Targeted applications: Process development technologies for pharmaceuticals and intermediates thereof, food, enzymes, cosmetics and health food
- Research staff: Around 50
- R&D expenses: Around ¥1.0 billion (One-third of total Group R&D expenses as of the fiscal year ended March 2008)
- Intellectual property rights:



Nagase R&D Center  
(in Kobe High Tech Park)

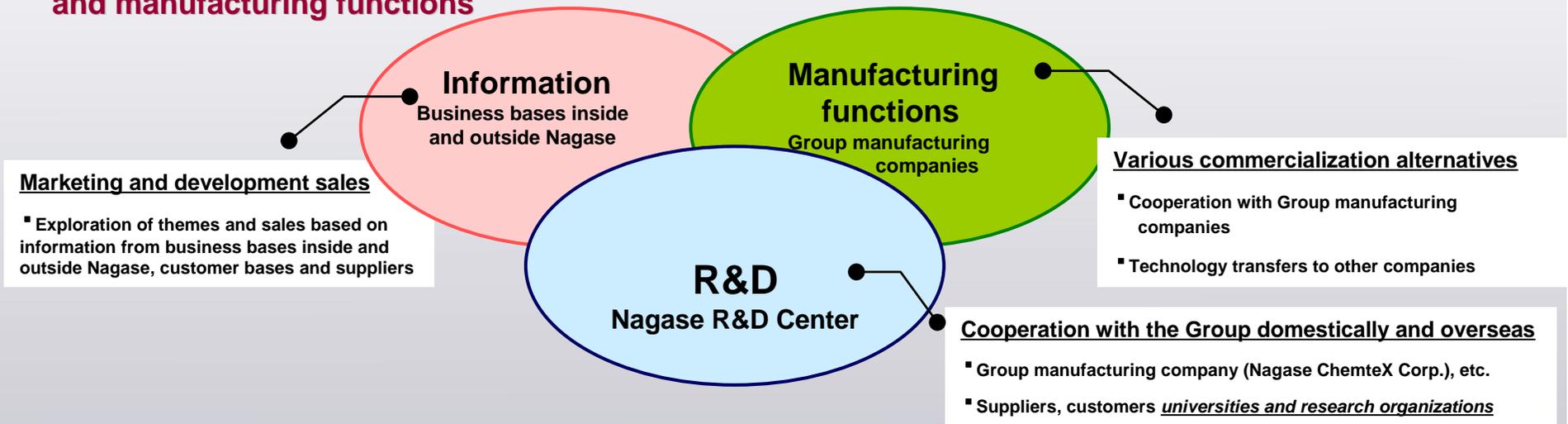
	Fiscal year ended March 2008			Cumulative total (to March 2008)		
		Japan	Overseas		Japan	Overseas
Patent applications filed	13	9	4	253	192	61
Patent rights established	1	1	0	40	29	11

## Characteristics and Strengths of the Nagase R&D Center

### ■ R&D Policies

- Provide users with technological solutions
- Develop “Nagase-Driven Businesses” (global niche businesses with leading market shares)

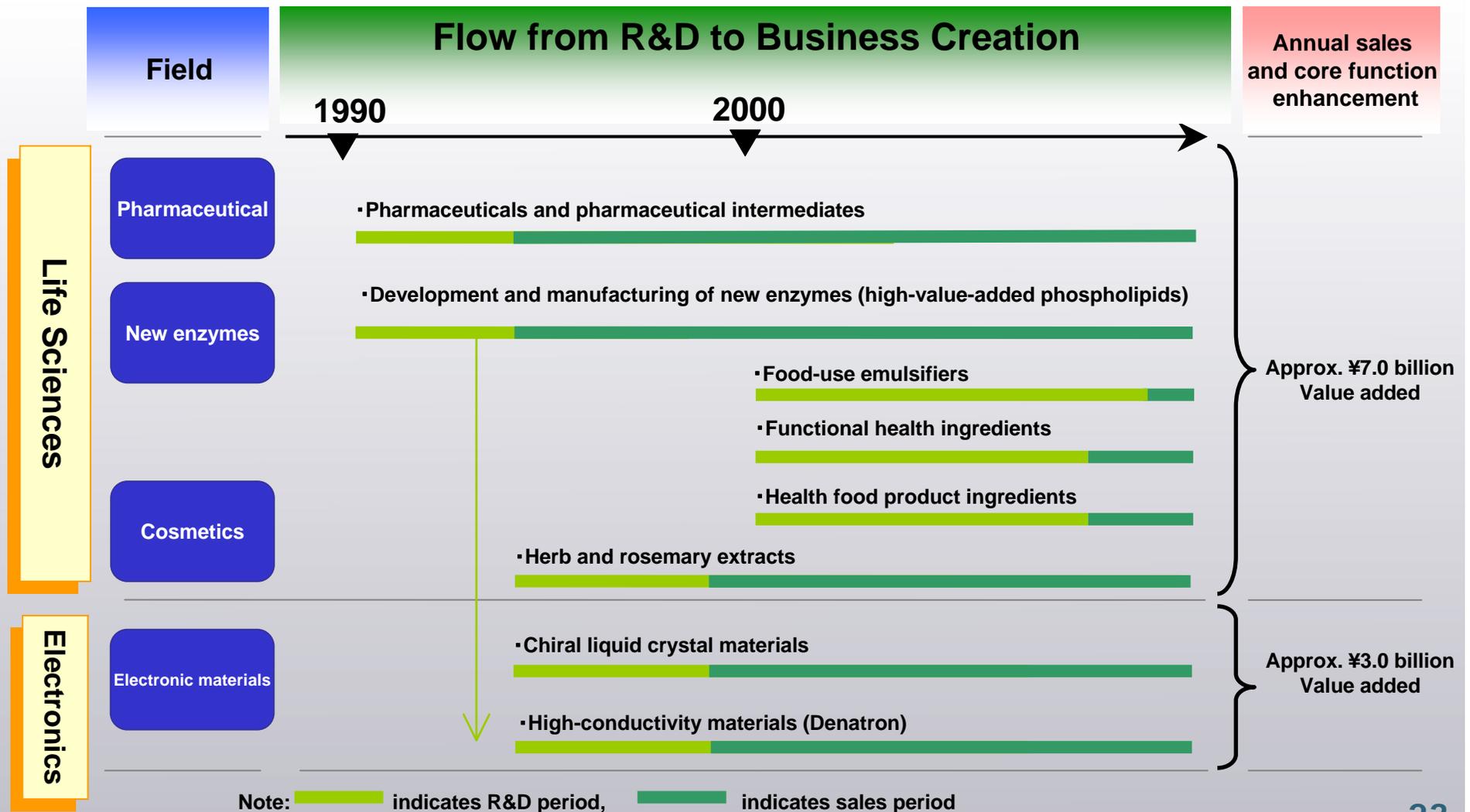
### ■ Group Cooperative Framework: Display the three-in-one strength of information, R&D and manufacturing functions



### ■ Contribute to the Development of Science and Technology

Provide assistance through the Nagase Science and Technology Foundation  
(311 research grants totaling approximately ¥820 million)

## Business Creation and Core Function Enhancement at the Nagase R&D Center



## Changing Role of the Nagase R&D Center within Nagase

### ■ Basic Positioning

- Expand Nagase-driven businesses by proposing technological solutions
- Key focus of technological development: Maximize value added within the Group by increasing proportion of in-house production by manufacturing companies

### ■ Change in Development Stance

#### Traditionally

- Evaluation and adjustment of production technologies, and development of applications
- Solutions for user themes
- Concentration in Life Sciences (pharmaceutical field)



#### Further strengthening going forward

- Develop technologies to strengthen manufacturing functions
- Display functions as a product development site
- Create themes based on original technologies and develop in-house products
- Expand application of accumulated Life Science technologies (biotechnologies) to other fields

## Post-WIT2008 Role: Creating Core Technologies for Next-Generation Businesses

Toward Nagase's future as a "distinctive specialized technology and intelligence oriented company"

### II . Discerning Future Business Development

Taking alliances and M&A into view

### I . Creating Next-Generation Businesses

- Expand industrial applications for recombinant proteins
- Expand the chemical-use field through microorganic cell factories that employ recycled materials

### Activities in fields other than biotechnology

Life Sciences  
Business

Nagase R&D Center

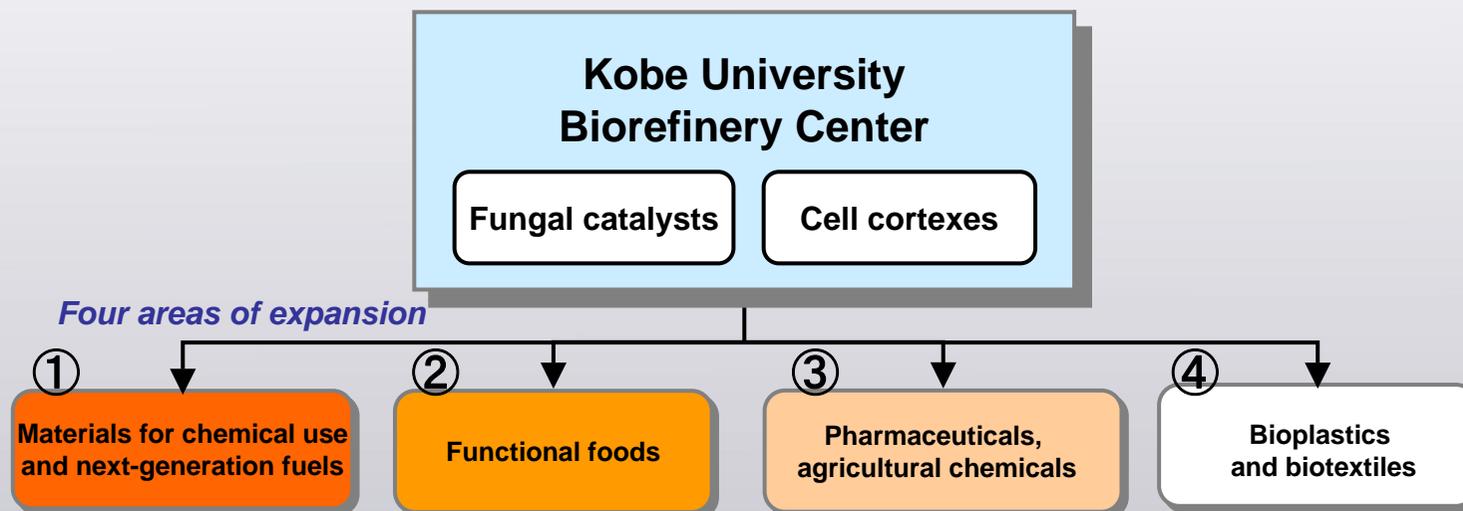
Expansion into  
"environment"  
and  
"energy" fields

## Opening Moves toward Core Technologies for Next-Generation Businesses

### ■ Participation in Kobe University's Cooperative Bioproduction Bases for Next-Generation Agriculture Project

- First research bases in Japan for commercialization of specific products from biomass (biological resources)
- For 10 years starting with fiscal 2008, R&D expenses will be around ¥13.0 billion\*, an extremely large scale for the agriculture field

\*Half of R&D expenses will be funded by the Japan Science and Technology Agency



**Nagase Co., Ltd.**  
(Nagase R&D Center)

(Announced participation in July 2008)

Twelve other companies plan to participate, including Teijin Limited, Mitsui Chemicals, Inc., Asahi Kasei Chemicals Corporation, Daicel Chemical Industries, Ltd., Kaneka Corporation, Fujicco Co., Ltd., Gekkeikan Sake Co., Ltd., Cosmo Oil Co., Ltd. and Maruzen Pharmaceuticals Co., Ltd.

NAGASE

A technology and intelligence oriented company  
that turns wisdom into business

**Nagase & Co., Ltd.**

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

**This presentation contains projections based on assumptions, forecasts and plans for the future as of November 20, 2008. Actual results may differ from projections due to risks and uncertainties associated with the global economy, competition, exchange rates fluctuations and other risks and uncertain factors.**