

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

October 30, 2009

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

Annual General Meeting of Stockholders (scheduled): November 12, 2009

Start of distribution of dividends (scheduled): December 7, 2009

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 Second Quarter of the Fiscal Year Ending March 31, 2010 (April 1, 2009 to September 30, 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	%
Six months ended Sept. 30, 2009	281,368	(26.8)	5,262	(40.9)	5,796	(41.1)	3,095	(45.8)
Six months ended Sept. 30, 2008	384,621	—	8,901	—	9,849	—	5,706	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Six months ended Sept. 30, 2009	24.08	—
Six months ended Sept. 30, 2008	44.38	44.38

(2) Consolidated Financial Position

	Total assets	Net assets	Net worth ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2009	355,279	200,094	54.2	1,498.78
As of March 31, 2009	340,968	191,931	54.1	1,435.88

(Reference) Equity capital: As of September 30, 2009 ¥192,681 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 six months ended September 30, 2009: No

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

(Percentages represent change 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 six months ended September 30, 2009: Yes

4. Other

- (1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None
- (2) 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: YesSee “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)

Six months ended Sept. 30, 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

Six months ended Sept. 30, 2009:	9,849,337 shares
Year ended March 31, 2009:	9,846,589 shares
 - iii. Average number of shares during the period:

Six months ended Sept. 30, 2009:	128,560,183 shares
Six months ended Sept. 30, 2008:	128,579,544 shares

Notes: Cautionary Remark Regarding Forward-Looking Statements

1. The projected full-year consolidated results for fiscal 2009 have been revised from the projections announced in July 30, 2009.
2. 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 second quarter of the fiscal year ending March 31, 2010, despite some industries showing signs of recovery due to the promotion of inventory adjustments and the implementation of a series of economic-stimulus measures, there continues to be concern over the deteriorating condition of the Japanese economy. This is primarily attributable to sluggish production worsening employment conditions and stagnant consumer spending.

Against this backdrop, domestic sales for the the second quarter fell 21.3 percent compared with the corresponding period of the previous fiscal year to ¥172.87 billion and overseas sales decreased 34.2 percent to ¥108.49 billion, for total net sales of ¥281.36 billion, a 26.8 percent decrease.

On the earnings front, operating income plunged 40.9 percent year on year to ¥5.26 billion and ordinary income fell 41.1 percent to ¥5.79 billion due to the substantial sales drop, despite the Company's efforts to reduce selling, general and administrative expenses. As a result, net income for the second quarter of the fiscal year under review declined 45.8 percent to ¥3.09 billion.

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: ¥111.04 billion, a 26.0 percent decrease from the same period of the previous fiscal year

Despite a slight recovery trend in sales, this segment was impacted by the ongoing decrease in demand throughout the overall chemicals industry affected Nagase's chemical businesses across the board. Consequently, substantial sales drops being 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: ¥86.31 billion, a 36.7 percent decrease from the same period of the previous fiscal year

During the period under review, despite indications that demand was beginning to recover slightly, domestic sales for of materials for precision instruments, electronics and automotive applications fell significantly, while sales of building and packaging materials-related products remained sluggish. Overseas sales also fell in Northeast Asia, Southeast Asia and North America. As a result, overall sales in this segment plunged.

[Electronics] Sales: ¥56.63 billion, an 18.2 percent decrease from the same period of the previous fiscal year

Sales of LCD display films and chemicals for manufacturing LCDs remained nearly unchanged compared to the corresponding period of the previous fiscal year, while sales of touch-panel components grew significantly during the period under review. At the same time, despite a recovery in sales of precision abrasive materials for hard disks, sales related to silicon wafer applications fell. Sales of chemicals and appliances for manufacturing semiconductors were stagnant, while sales of formulated epoxy resin for heavy electrical machinery and mobile phones remained on par with the corresponding period of the previous fiscal year. In addition, 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: ¥26.81 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 dipped slightly, while sales in the beauty care products business, which handles cosmetics and health foods, were robust. Although strong sales were also reported by domestic manufacturers, overall sales in this segment declined slightly.

[Other] Sales: ¥0.56 billion, a 32.2 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 ¥14.31 billion to ¥355.27 billion during the period under review, despite a decrease in inventories. This was mainly attributable to an increase in marketable securities due to accumulated current assets on hand as well as increased current prices of investment account securities despite the decrease in trade receivables and inventories.

Total liabilities increased ¥6.14 billion from the end of the previous fiscal year to ¥155.18 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 ¥8.16 billion to ¥200.09 billion due to the increase in net unrealized holding gain on securities. As a result, the net worth ratio rose 0.1 percentage points from 54.1 percent to 54.2 percent.

(2) Cash Flows

Net cash provided by operating activities was ¥25.47 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 ¥15.4 billion. This reflected such factors as purchases of securities, property, plant and equipment, and investment securities due to accumulated current assets on hand.

Net cash used in financing activities was ¥8.45 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 September 30, 2009 was ¥38.05 billion, up ¥1.91 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 been revised from the projections announced on July 30, 2009. Please refer to the “Notice Concerning the Revision of Earnings Forecasts” announced on October 30, 2009 for details.

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 the 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.