

# Summary of Consolidated Business Results for the First Quarter Ended June 2006

July 31, 2006

Company Name Nagase & Co., Ltd  
 Listing Code 8012  
 (URL <http://www.nagase.co.jp/>)

Stock Exchanges Listed: Tokyo, Osaka  
 Location of Head Office: Osaka Prefecture

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## 1. Matters concerning the preparation of the Summary of Business Results for the First 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: Yes

(Description):

Change of segment classify

### (3) Change in the applicable scope of the consolidation and equity method: The applicable scope was changed.

Consolidated Subsidiaries: New: 7 Excluded: 0 Equity method: New: 2 Excluded: 0

## 2. Consolidated Business Results for the First Quarter Ended June 2006 (April 1, 2006 – June 30, 2006)

### 1) Consolidated Operating Results

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

	Net Sales		Operating Income		Recurring income	
	¥ Millions	%	¥ Millions	%	¥ Millions	%
First Quarter Ended June 2006	171,079	12.4	5,509	22.0	6,226	16.9
First Quarter Ended June 2005	152,182	7.8	4,515	33.0	5,325	21.4
(Reference) Period Ended March 31, 2006	648,023		17,596		18,798	

	Net (quarterly) income		EPS (quarterly)	Fully Diluted EPS (quarterly)
	¥ Millions	%	¥	¥
First Quarter Ended June 2006	3,163	-2.2	24.71	24.61
First Quarter Ended June 2005	3,233	21.7	25.39	25.33
(Reference) 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 first quarter of 2005.

### 2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
First Quarter Ended June 2006	390,569	200,240	49.8	1,518.15
First Quarter Ended June 2005	341,891	168,965	49.4	1,326.64
(Reference) 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
First Quarter Ended June 2006	-929	-876	-4,390	17,635
First Quarter Ended June 2005	2,332	554	829	21,984
(Reference) 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 April 28, 2006 both for the subsequent quarters and for the entire fiscal year.

	Net Sales	Recurring Income	Net Income
	¥ Millions	¥ Millions	¥ Millions
Interim Period	347,000	11,300	6,700
Whole Year	694,000	22,700	13,600

(Reference) Expected EPS(Whole Year) ¥ 106.24

\*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 Company Performance**

The Japanese economy in the first quarter of the fiscal year continued to experience steady expansion on the back of the increase in capital investment by companies and the growth in consumer spending. On the other hand, uncertainties remain as exemplified by concerns over the slowdown of the U.S. economy, trends in domestic and overseas stock markets, the surge in crude oil prices, etc.

Under these circumstances, our quarterly business performance was 101.63 billion yen in domestic sales, up 8.2% year-on-year, and 69.44 billion yen in overseas sales, up 19.1% year-on-year, resulting in net sales of 171.07 billion yen, up 12.4% year-on-year.

On the income front, operating income increased 22.0% year-on-year to 5.5 billion yen, thanks to the growth in sales, etc. However, net income for the quarter decreased 2.2% year-on-year to 3.16 billion yen, partly due to the substantial decrease in the gain on sale of property, plant and equipment compared to the previous corresponding period.

#### **Segment Summary**

Some business segments have been redefined for this fiscal year. For further information on the redefinition, please refer to “4. Segment Information” on page 6.

### **[Chemicals]**

**Sales: 60.84 billion yen      Year-On-Year Comparison: Up 11.3%**

In the chemicals segment, sales substantially increased in the Performance Chemicals Department including automotive-related products such as paint materials and urethane materials on the back of brisk overseas sales. Furthermore, sales expanded in the Colors & Imaging Department, which deals in “colors” such as pigments including printer and copier inks and toner materials, as well as in the Specialty Chemicals Department, which deals in raw materials of specialty chemicals such as surface active agents and industrial oil solutions. As a result, the chemicals segment performed well across the board.

### **[Plastics]**

**Sales: 59.48 billion yen      Year-On-Year Comparison: Up 13.9%**

In the plastics segment, sales of engineering plastics for armoring materials for precision equipment such as printers and copiers and general-purpose plastics continued to grow by a large margin in the so-called Greater China region (China plus Hong Kong and Taiwan). Sales also substantially increased in the ASEAN region, especially in Thailand and Singapore. Sales in the Automotive Solutions Department

expanded, while sales of housing equipment and construction materials also increased. Consequently, the plastics segment performed well as a whole.

#### **[Electronics]**

**Sales: 36.56 billion yen      Year-On-Year Comparison: Up 24.8%**

In the electronics segment, the Electronics Chemicals Department—which deals in formulated epoxy resins and photolithography chemicals used in the pre-process of liquid crystals and semiconductors—performed well, as did the Display & Electronics Components Department, which is primarily involved in the post-process of liquid crystals. Additionally, sales substantially grew in the Information & Functional Materials Department, which is engaged in the post-process of semiconductors and deals in fine polishing abrasives, surface inspection systems, etc. As a result, sales in the electronics segment dramatically increased overall.

#### **[Life Science]**

**Sales: 12.6 billion yen      Year-On-Year Comparison: Down 10.8%**

In the life science segment, sales of pharmaceutical ingredients and intermediates in the Fine Chemicals Department decreased, while sales also slightly fell in the Beauty Care Products Department, which sells cosmetics and health foods. Sales in the life science segment decreased as a whole, due in part to the impact of the radical review including closing down the underperforming medical care business in the previous year.

#### **[Others]**

**Sales: 1.57 billion yen      Year-On-Year Comparison: Down 16.6%**

In the field of other products, equipment sales including DVD players with LCD screens more or less remained at the previous year's level, but direct sales of DVD movie titles, etc. to general consumers decreased. Consequently, sales in the field of other products declined overall.

#### **[Financial Position]**

Total assets amounted to 390.56 billion yen, a decrease of 6.2 billion yen compared to the end of the previous fiscal year, primarily due to the decrease in investments in securities associated with the fall in stock price, which outweighed the increase in accounts receivable attributable to the increase in sales.

Liabilities amounted to 190.32 billion yen, a decrease of 4.06 billion yen compared to the previous fiscal year end, mainly due to the decrease in commercial papers and the reduction in deferred tax liabilities associated with the fall in stock price.

Net assets including minority interests amounted to 200.24 billion yen, a decrease of 2.13 billion yen compared to the end of the previous fiscal year, mainly due to the decrease in other unrealized holding gain

on securities, which outweighed the increase in retained earnings sourced by quarterly net income.

As a result of the above, the equity ratio increased to 49.8%, an increase of 0.2 percentage points from 49.6% at the previous fiscal year end.

#### **[Status of Consolidated Cash Flow]**

Net cash used in operating activities amounted to 920 million yen, as quarterly net income before income taxes and minority interests in the amount of 6.44 billion yen was outweighed by the increase in operating capital and the payment of corporate income tax, etc.

Net cash used in investing activities amounted to 870 million yen, as the sale of some investments in securities was outweighed by capital investment, etc.

Net cash used in financing activities amounted to 4.39 billion yen, mainly due to the repayment of commercial papers and borrowings as well as the payment of dividends, etc.

After making adjustments to these figures, including the increase in cash and cash equivalents in the amount of 780 million yen associated with the consolidation of a new subsidiary, the balance of cash and cash equivalents at the end of this first quarter decreased by 5.3 billion yen from the previous fiscal year end to 17.63 billion yen.

#### **[Financial Forecasts]**

At this point in time, no changes have been made to the respective figures in our consolidated interim and full-year financial forecasts announced on April 28, 2006. No changes have been made to our non-consolidated financial forecasts either.