

NAGASE



**Briefing Session on
Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2010**

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

Nagase & Co., Ltd.

November 13, 2009



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**Second Quarter Financial Highlights for
the Fiscal Year Ending March 31, 2010**

Both domestic and overseas sales declined: down ¥46.7 billion (78% of the year-ago first-half level) in Japan and down ¥56.4 billion (65% of the year-ago first-half level). Operating income fell by 41% despite lower SG&A expenses.

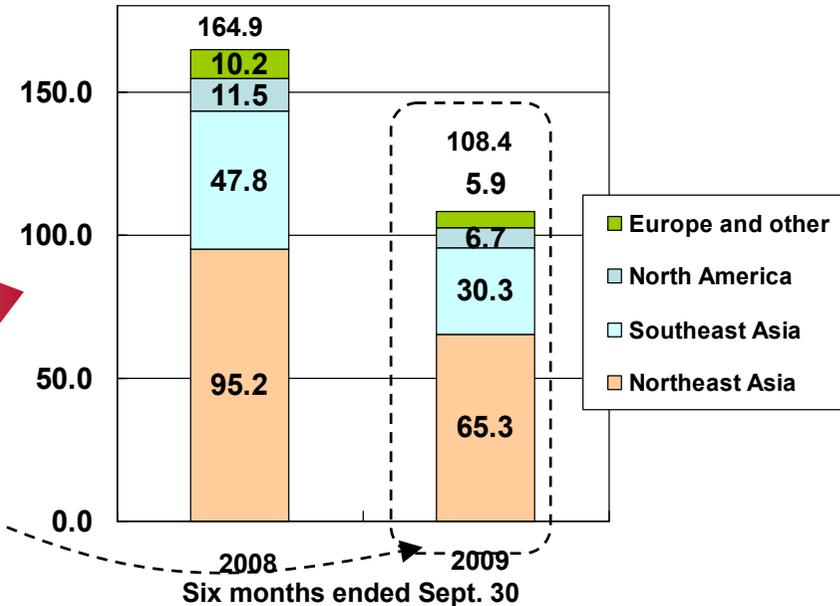
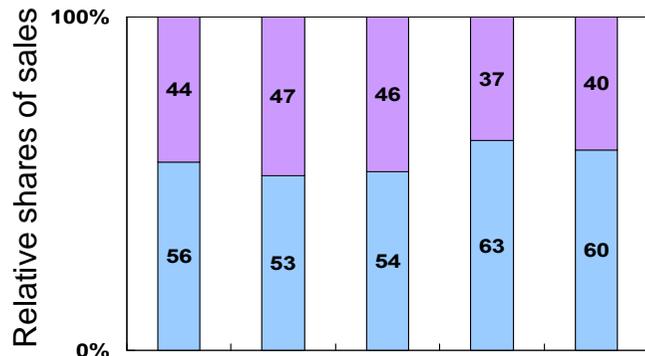
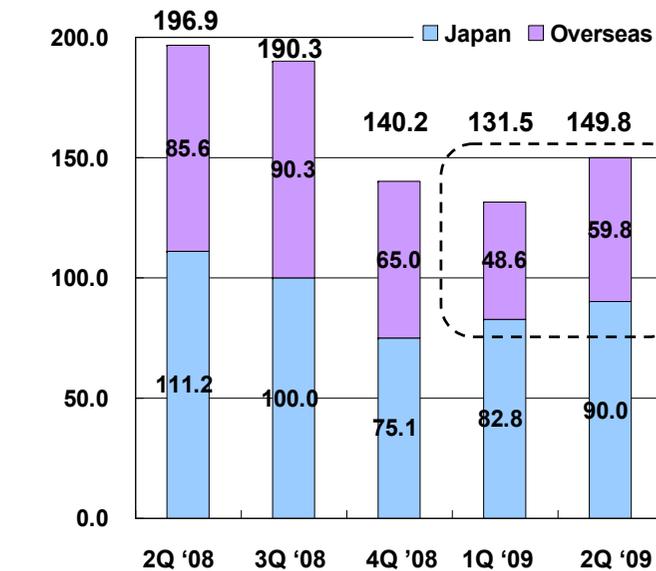
(¥ Billion)

	6 months to Sept. 2009	6 months to Sept. 2008	Increase (Decrease)	YoY Comparison	For reference: July 2009 forecast
Net sales	281.3	384.6	-103.2	73%	271.0
Gross profit	30.5	39.0	-8.4	78%	29.5
SG& A expenses	-25.3	-30.1	+4.8	84%	-25.5
Operating income	5.2	8.9	-3.6	59%	4.0
Ordinary income	5.7	9.8	-4.0	59%	4.4
Net income	3.0	5.7	-2.6	54%	2.3
Net income per share (yen)	24.08	44.38	—	—	—
Cash dividends per share (yen)	7.0	8.0	-1.0	—	7.0

Net sales: ¥281.3 billion, down ¥103.2 billion vs. year-ago 1H
 (down ¥46.7 billion in Japan and ¥56.4 billion overseas)

Breakdown of overseas sales by region (YoY change) (¥ Billion)

Quarterly trend in net sales

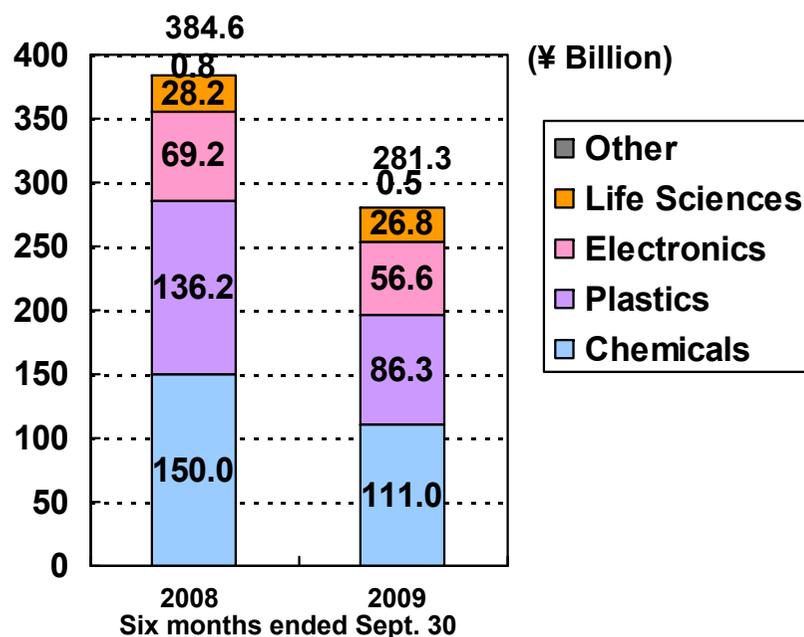


- Overseas sales ratio declined from 42.9% to 38.6%-

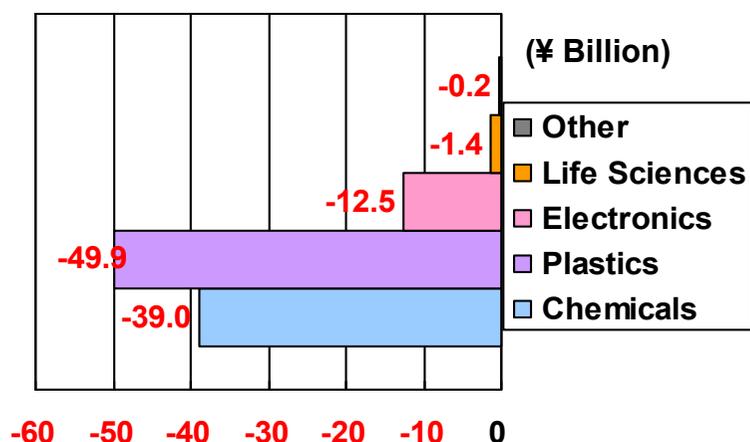
- Worst period of consolidated overseas subsidiaries' sales decline is registered with a three-month lag, as their business years end in December. Overseas sales ratio in 2Q is up 3% compared with 1Q.

- In Greater China, sales of plastics (for office automation and electronics applications) declined significantly in both East and South China. Chemicals sales were strong in South China, as were electronics sales in East China.

- Sales in the ASEAN region languished under large declines in chemicals and plastics.



Increase/Decrease in Sales by Segment



Sales by Business Segment (Year-on-year Comparison)

Chemicals ¥111.0 billion, down ¥39.0 billion (74% of year-ago level)

- Sales in the functional chemicals business, which includes coating, urethane, and plastic raw materials and additives, declined versus year-ago figures despite signs of a recovery in demand
- Organic synthesis materials sales were also down in the specialty chemicals business
- Sales of functional color pigments and other color materials also fell

Plastics ¥86.3 billion, down ¥49.9 billion (63% of year-ago level)

- Sales of plastics for precision/electronics equipment and automotive applications fell in Japan
- Sales of plastics for precision equipment fell substantially in Greater China and the ASEAN region
- Sales of building materials were sluggish; sales of functional sheets and films were strong

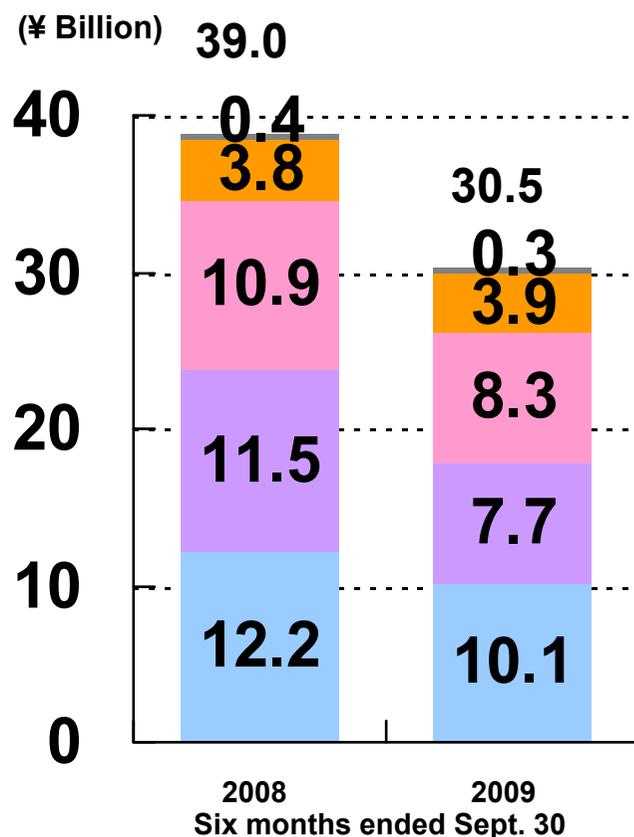
Electronics ¥56.6 billion, down ¥12.5 billion (82% of year-ago level)

- Sales of films for liquid-crystal displays were on par with year-ago figures; sales of materials for touch panels grew significantly
- Sales of precision abrasive materials for HDDs recovered, but those for silicon wafers were sluggish
- Sales of chemicals for semiconductor applications were slow as operating rates did not recover; those for LCD applications were on par with year-ago figures
- Overall formulated epoxy resin-related sales declined, as sales for heavy electric and mobile phone handset applications stagnated at year-ago levels and sales for automotive and light-electric applications remained weak

Life Sciences ¥26.8 billion, down ¥1.4 billion (95% of year-ago level)

- Slight declines in sales of pharmaceutical intermediates and agrochemical ingredients
- Sales of beauty care and health food products were largely on par with year-ago figures

Gross Profit: ¥30.5 billion, down ¥8.4 billion
(78% of year-ago level)



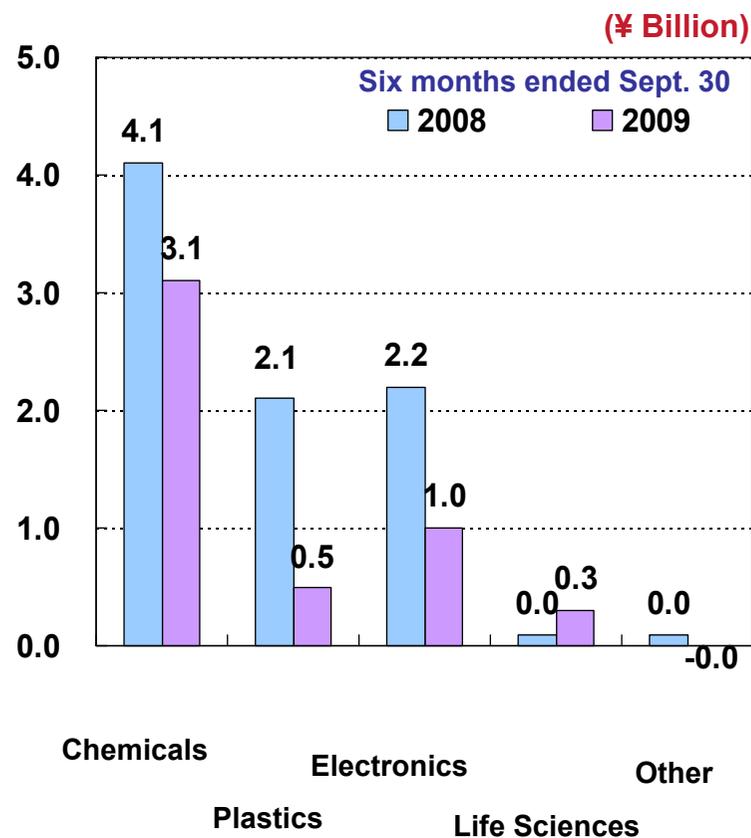
Overview of Profit by Business Segment (and Year-on-year Comparison)

Chemicals	-¥2.1 billion (83%)
Plastics	-¥3.7 billion (68%)
Electronics	-¥2.6 billion (76%)
Life Sciences	+¥0 billion (102%)

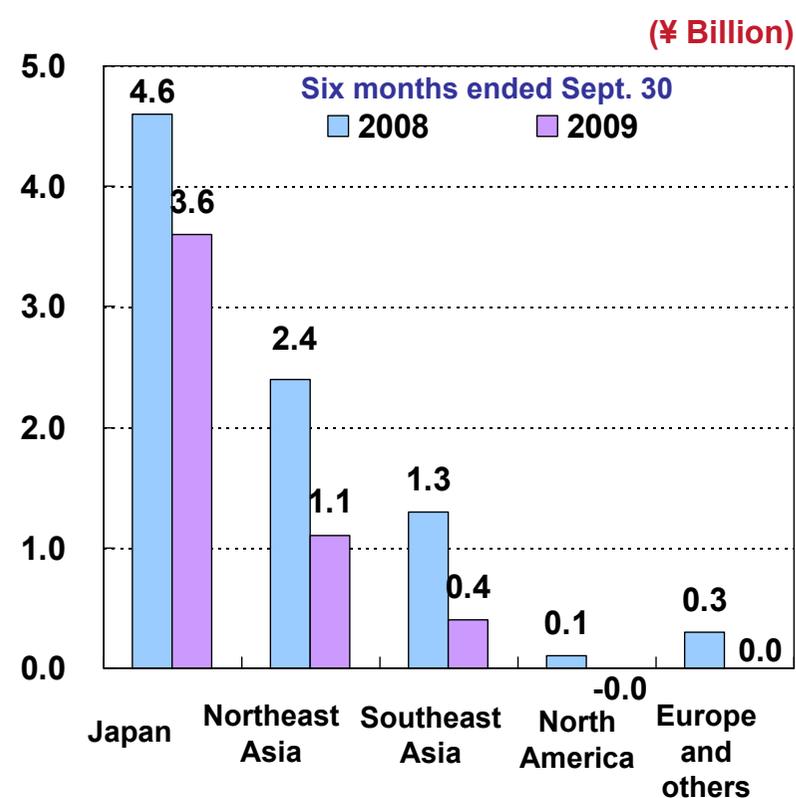


Operating income: ¥5.2 billion, down ¥3.6 billion year on year
(59% of year-ago level)

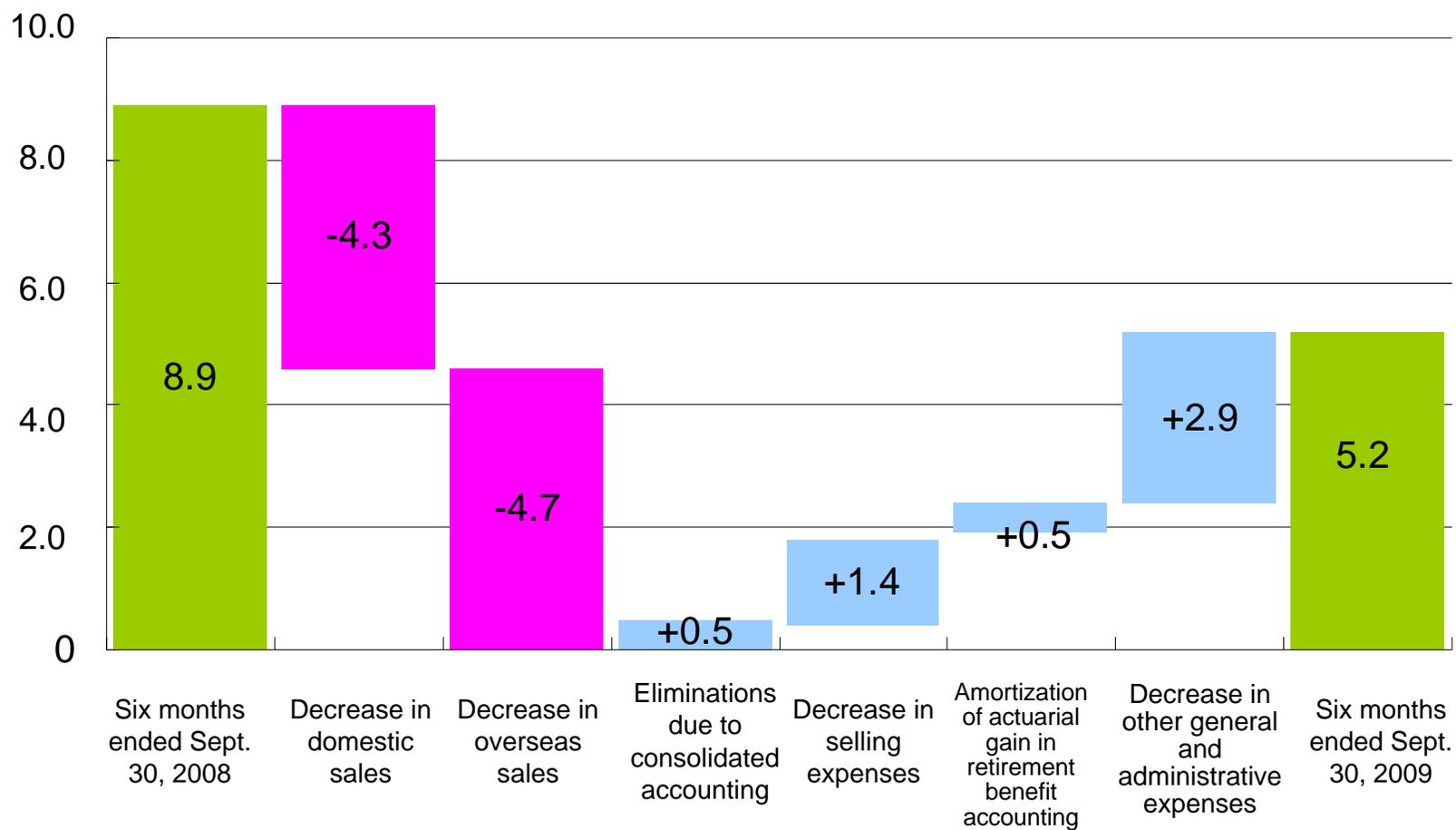
Operating Income by Business Segment



Operating Income by Geographic Segment



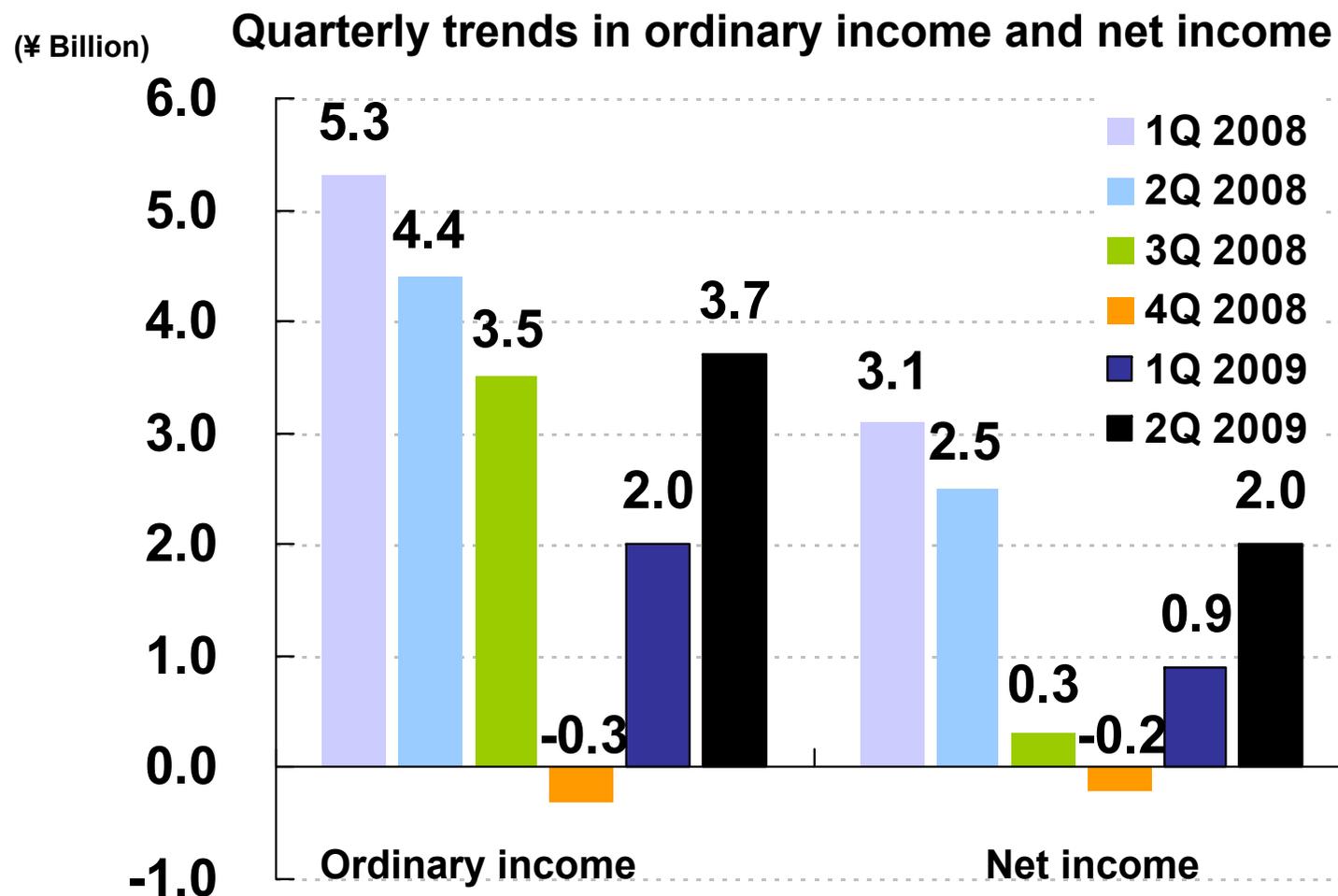
(¥ Billion)



Quarterly Trends in Ordinary Income and Net Income

Ordinary income (first half) : ¥5.7 billion, down ¥4.0 year on year
(59% of year-ago level)

Net income (first half) : ¥3.0 billion, down ¥2.6 year on year
(54% of year-ago level)



- Decrease in working capital (overall decline due to marked increase in accounts payable and decrease in inventory, despite slight increase in accounts receivable)
- Increase in investment securities (negotiable deposit) to boost liquidity on hand
- Increase in investment securities (increase in market values reflecting higher stock prices)
- Increase in property, plant and equipment

(¥ Billion)

Assets	Sep. 30, 2009	Mar. 31, 2009	Increase/Decrease	Liabilities and Net Assets	Sep. 30, 2009	Mar. 31, 2009	Increase/Decrease
Cash and time deposits	27.1	26.1	+0.9	Notes and accounts payable	98.4	90.0	+8.4
Notes and accounts receivable	169.6	166.3	+3.3	Short-term loans	12.9	19.8	-6.9
Investment securities (negotiable deposits)	21.0	10.0	+11.0	Other current liabilities	18.1	16.3	+1.7
Inventories	29.4	40.0	-10.6	Long-term debt	11.1	11.0	+0.1
Other current assets	5.6	6.5	-0.8	Accrued retirement benefits for employees	7.1	6.8	+0.2
Property, plant and equipment	41.1	39.2	+1.9	Other fixed liabilities	7.3	4.8	+2.4
Intangible fixed assets	2.5	2.7	-0.2	Shareholders' equity	184.6	182.6	+2.0
Investments in securities	53.1	43.5	+9.5	[Treasury stock included in above]	(-5.3)	(-5.3)	(-0)
Other fixed assets	5.5	6.2	-0.7	Valuation, foreign currency and other adjustments	8.0	1.9	+6.0
				Stock acquisition rights	0.2	0.2	—
				Minority interests	7.1	7.0	+0
				[Net worth ratio]	(54.2%)	(54.1%)	(+0.1%)
Total assets	355.2	340.9	+14.3	Total liabilities and net assets	355.2	340.9	+14.3

- Net cash provided by operating activities was ¥25.4 billion, due to a decrease in working capital.
- Investing activities used net cash of ¥15.4 billion, reflecting purchases of investment securities, property and equipment, and intangible fixed assets

(¥ Billion)

	Six months ended Sept. 30, 2009	Major components	Six months ended Sept. 30, 2008
Cash flows from operating activities	25.4	Income before income taxes 5.4 Depreciation and amortization 2.5 Working capital 17.5 Taxes paid -1.3 Other 1.3	12.1
Cash flows from investment activities	-15.4	Purchases of investment securities -10.0 Purchases of property and equipment -2.6 Purchases of securities and investments -2.4 Other -0.4	-6.2
Cash flows from financing activities	-8.4	Short-term debt -7.4 Cash dividends paid -1.0	-4.0
Increase in cash and cash equivalents	1.9		0.1
Cash and cash equivalents at the end of the period	38.0	Cash equivalents 27.1 Investment securities (negotiable deposits) 11.0	23.5

(¥ Million)

	Company Name	Net Sales	YoY Comparison	Operating Income	YoY Comparison	Net Income	YoY Comparison
Parent Company	Nagase & Co., Ltd.	198,675	75%	1,408	44%	3,002	63%
Manufacturing	Nagase ChemteX Corp.	12,301	91%	1,672	178%	940	165%
	Totaku Industries, Inc.	3,292	96%	107	201%	102	123%
Sales	Nagase Plastics Co., Ltd.	7,214	96%	21	36%	7	19%
	Nagase Colors & Chemicals Co., Ltd.	6,341	84%	77	70%	52	77%
	Nagase Chemical Co., Ltd.	6,200	86%	90	81%	51	85%
Overseas	Nagase (Hong Kong) Ltd.	25,898	71%	526	79%	429	83%
	Nagase Singapore (Pte) Ltd.	10,043	60%	35	18%	87	50%
	Nagase (Thailand) Co., Ltd.	8,838	50%	218	33%	157	32%

**Performance Forecast for the
Fiscal Year Ending March 31, 2010**

**Performance Forecast for
the Fiscal Year Ending March 31, 2010**

(¥ Billion)

	Fiscal Year Ending March 31, 2010 (forecast as of end-2Q)	Fiscal Year Ending March 31, 2010 (July 30 forecast)	Change vs. July 30 forecast	Fiscal Year Ended March 31, 2009 (Actual)	YoY Comparison
Net Sales	575.0	564.0	+11.0	715.2	81%
Gross Profit	61.0	60.2	+0.8	71.5	85%
Operating Income	10.0	8.4	+1.6	12.5	71%
Ordinary Income	11.0	9.4	+1.6	13.0	84%
Net Income	6.0	5.0	+1.0	5.8	103%
Annual Dividend per Share	¥14	¥14	¥0	¥16	-

**Performance Forecast by Segment for
the Fiscal Year Ending March 31, 2010**

(¥ Billion)

	First Half (Actual)	Second- half Forecast	2H Forecast vs. First Half	Fiscal Year Ending March 31, 2010 (Forecast)	YoY Comparison	Fiscal Year Ended March 31, 2009 (Actual)
Chemicals	111.0	113.9	103%	225.0	86%	263.1
Plastics	86.3	95.6	111%	182.0	71%	255.8
Electronics	56.6	55.3	98%	112.0	82%	135.7
Life Sciences	26.8	28.1	105%	55.0	93%	58.9
Other	0.5	0.4	76%	1.0	63%	1.5
Total	281.3	293.6	104%	575.0	80%	715.2

Progress of Medium-Term Management Plan
“CHANGE” 11

Management philosophy

The Nagase Group is a member of world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services it needs while improving the welfare of our employees.

Our vision for the future

Customers

Anticipate changes in market structure and the environment, and make progress with customers by proposing original solutions

Employees

Allow employees to realize their dreams and ideals through our businesses

Shareholders and investors

Continue to grow and raise value with technology as the foundation in businesses in which we are strong

Society at large

Contribute to society and the global environment



Basic Principle:
Maintain Good and Fair Business Practices

- 1** Select and concentrate on key businesses
- 2** Build businesses around environment- and energy-related technologies
- 3** Strengthen R&D and manufacturing functions
- 4** Promote globalization
- 5** Strengthen risk management
- 6** Promote employee diversity and work-life balance

1 Select and concentrate on key businesses

- Withdrew from wood-plastic composite material, automotive mold, and connector molding businesses.
- Invested in a color-former manufacturing company (to strengthen competitiveness of the color-former business)

2 Build businesses around environment- and energy-related technologies

- Acquired a lithium battery module developer
- Obtained approval (under the revised Act on Special Measures on Industrial Revitalization) for recycling business at Sharp Corporation’s Sakai Plant.

3 Strengthen R&D and manufacturing functions

- Invested in a manufacturer of pharmaceutical intermediates in India.
- Developed environmentally friendly epoxy resins.

4 Promote globalization

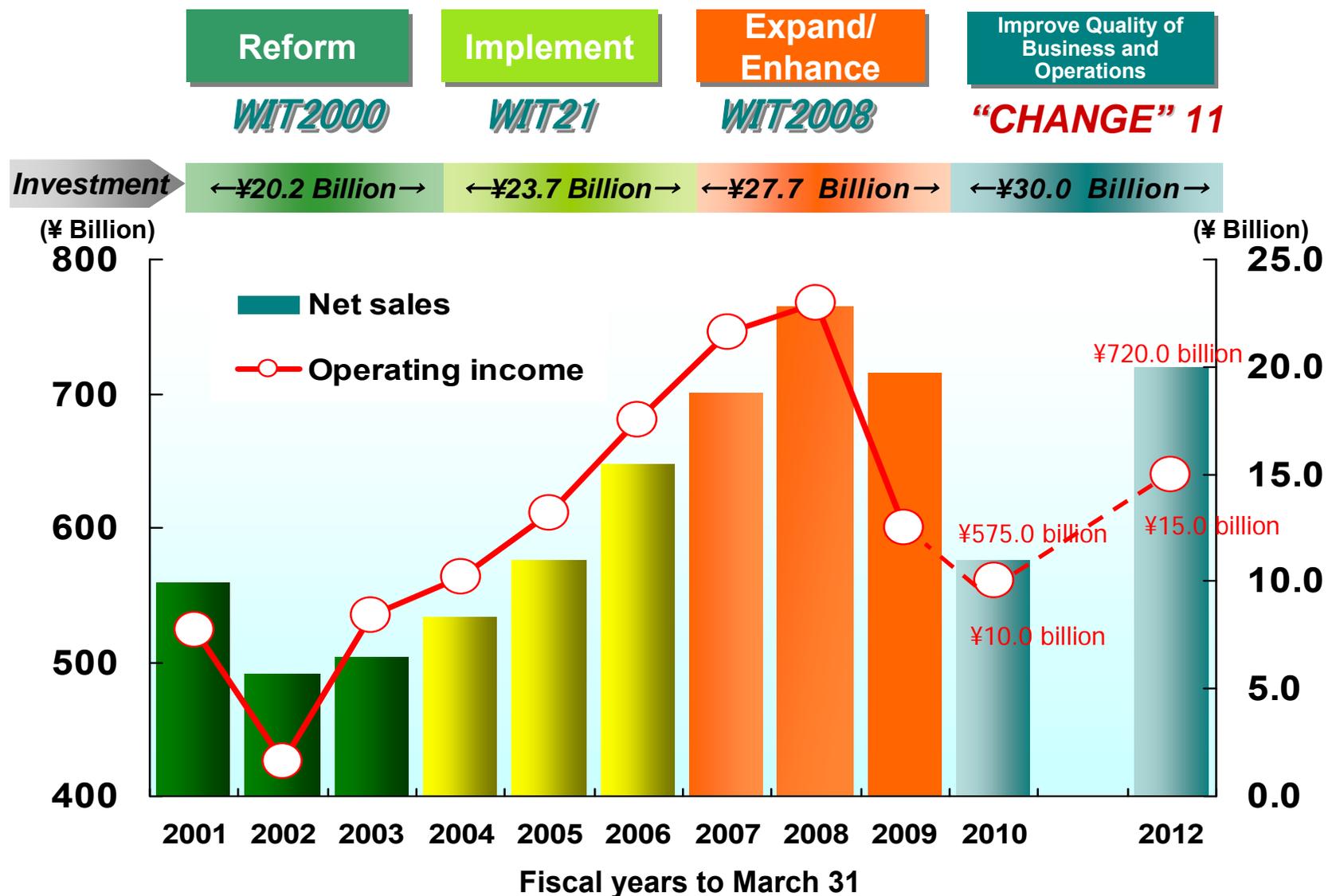
- Started supplying resin additives to Petro Rabigh.
- Expanded the business licenses of a Vietnam subsidiary.

5 Strengthen risk management

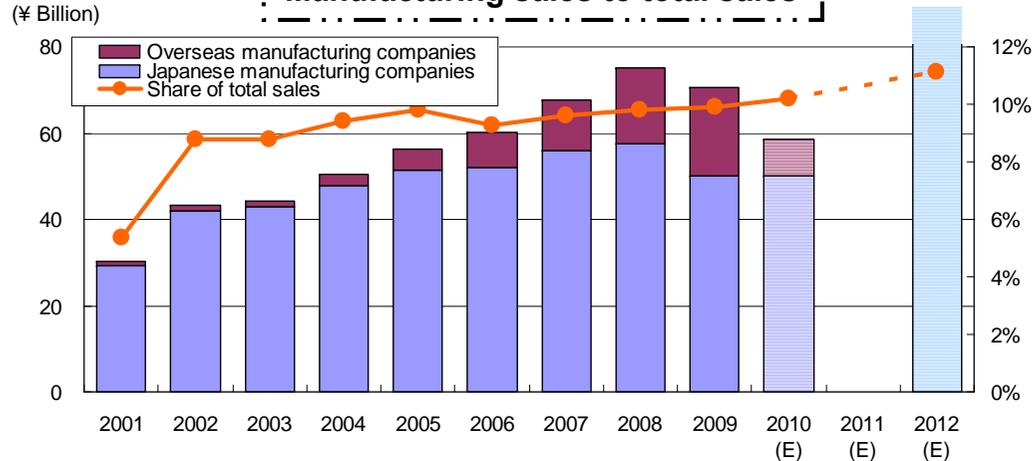
- Formulated business continuity plan for the IT business
- Established internal rules in anticipation of the revision (strengthening) of the Foreign Exchange and Foreign Trade Act.

6 Promote employee diversity and work-life balance

- Defined diversity, set our overall direction, and laid out concrete measures to promote it.
- Childcare leave made available to male employees also.

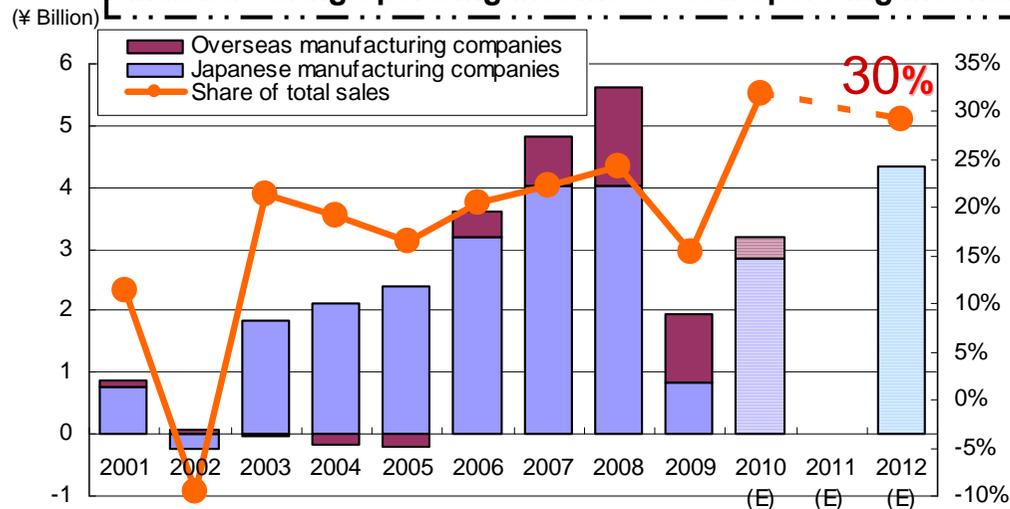


Manufacturing sales to total sales



Fiscal years to March 31

Manufacturing operating income to total operating income



Fiscal years to March 31

Capital investment projection (3 years)

¥30.0 billion

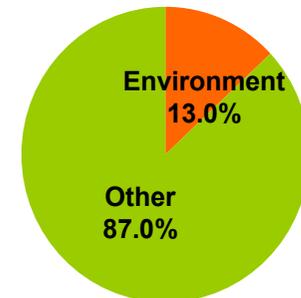
New investment primarily in environment and energy

¥20.0 billion

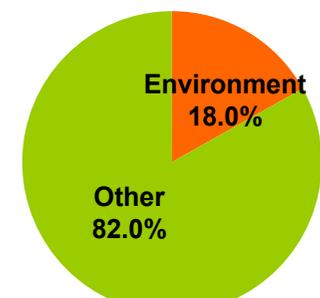
Renewal of existing equipment

¥10.0 billion

Environment/energy-related sales to total sales



FY ended March 31, 2009



FY ending March 31, 2012 (E)

**Nagase ChemteX Corporation
Epoxy Resin-Related
Environment/Energy Business Initiatives**

Mitsukuni Mori

**Managing Executive Officer, Nagase & Co., Ltd.
President, Nagase ChemteX Corporation**

■ **Four companies merged in April 2001 to form Nagase ChemteX Corporation**

- Merger of major chemical manufacturers of the Nagase Group

■ **Develops highly functional chemical products using organic synthesis, blending, modification and incubation technologies**

■ **Backbone of Nagase Group's manufacturing and R&D functions**

■ **Business profile**

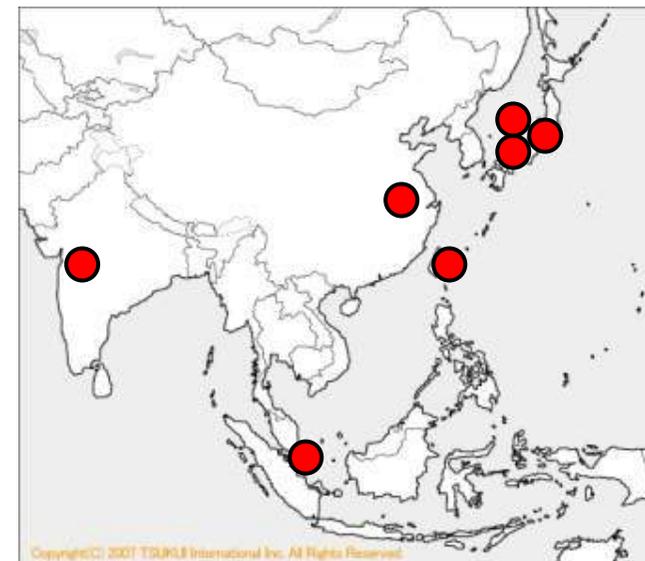
• Manufacturing bases: Harima (Hyogo pref.), Fukuchiyama (Kyoto), Sakai (Osaka), Wuxi (China), Singapore

• Businesses: Electronics, life sciences, automotive, construction and housing, others

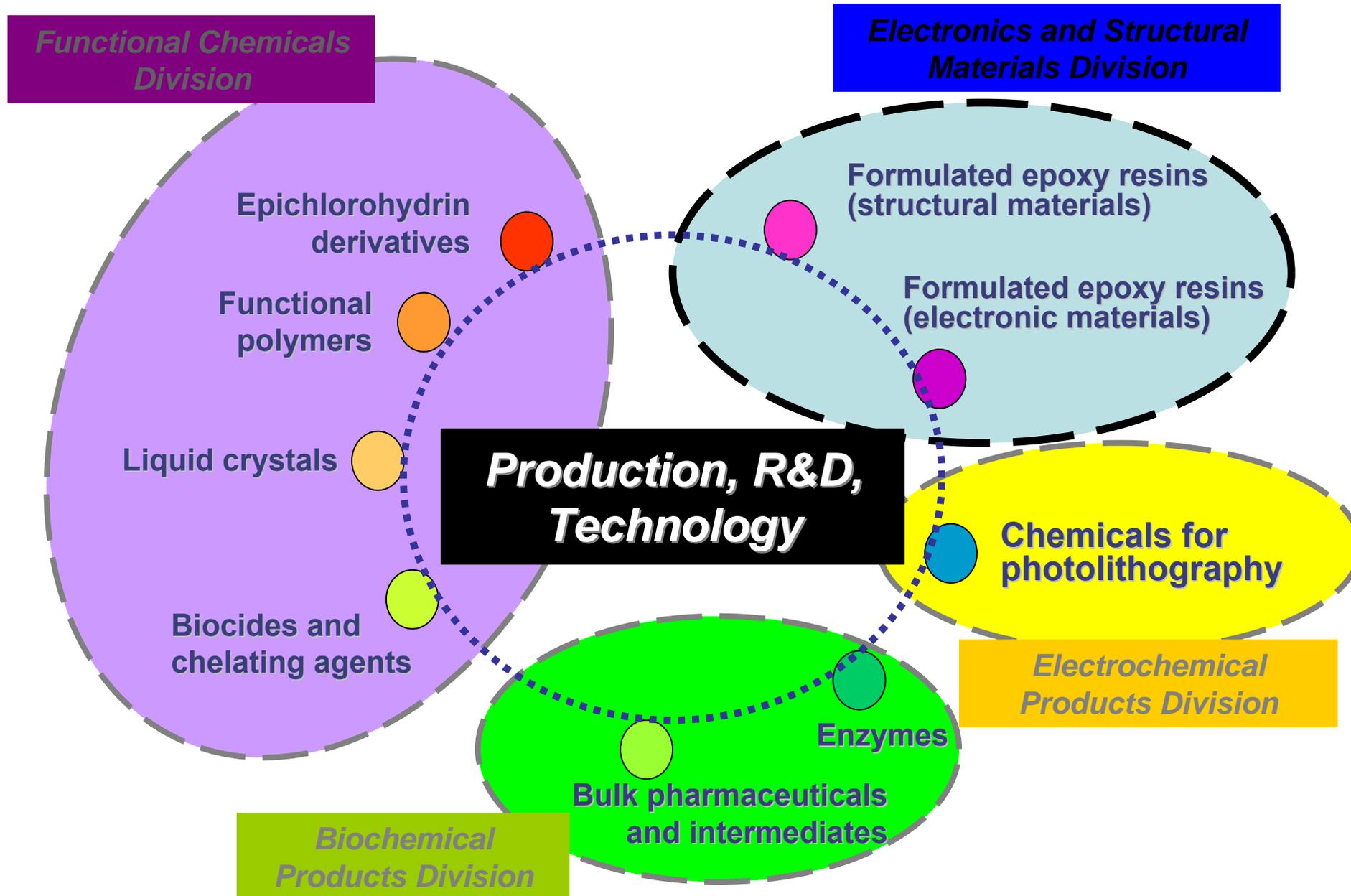
• Employees: Approx. 500

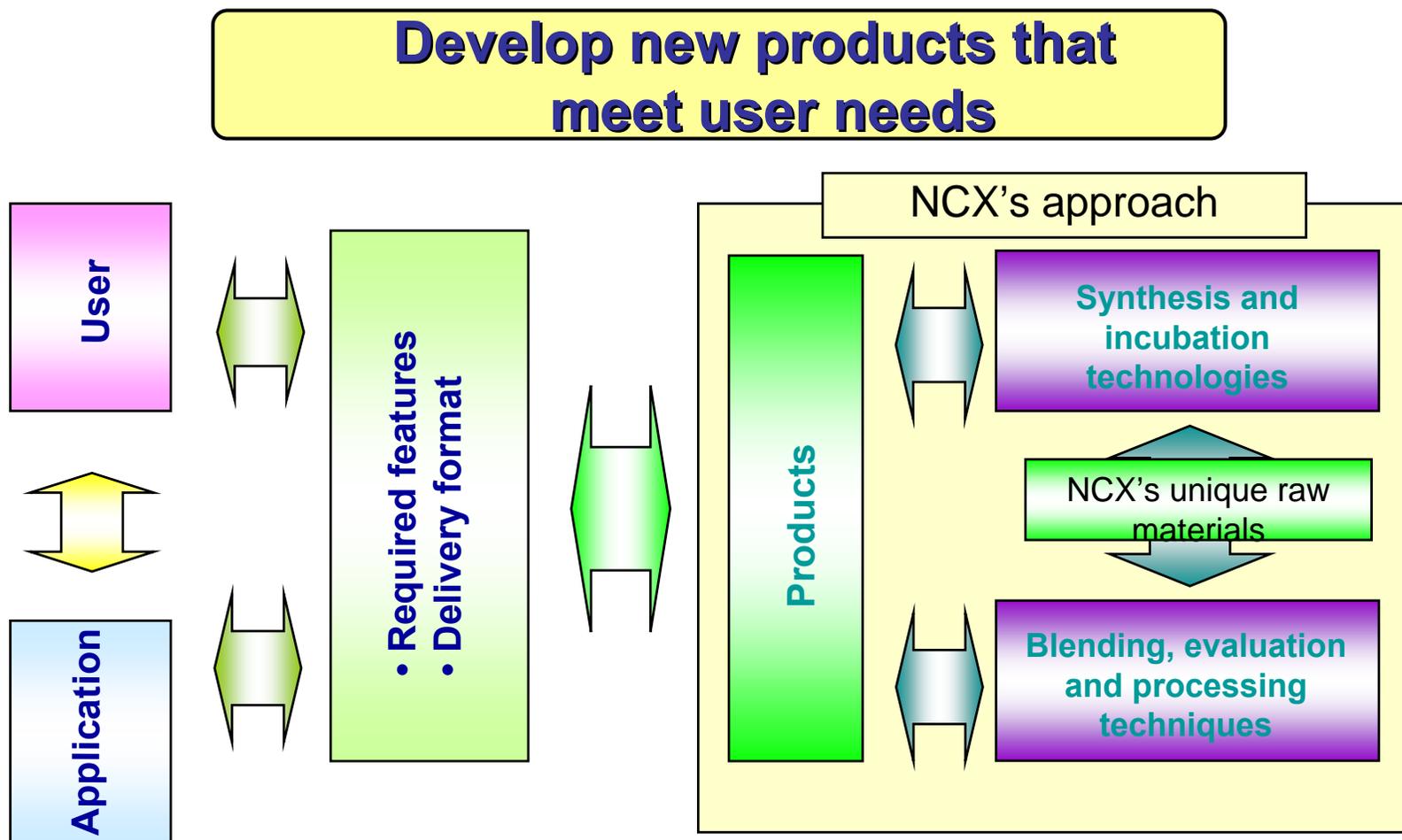
• R&D expenses: Approx. ¥1.5 billion (actual for FY2008; 6.4% of sales)

(¥ Million)



	FY2007 Actual	FY2008 Actual	FY2009 Forecast
Net Sales	27,331	23,353	25,073
Ordinary Income	3,036	952	2,231

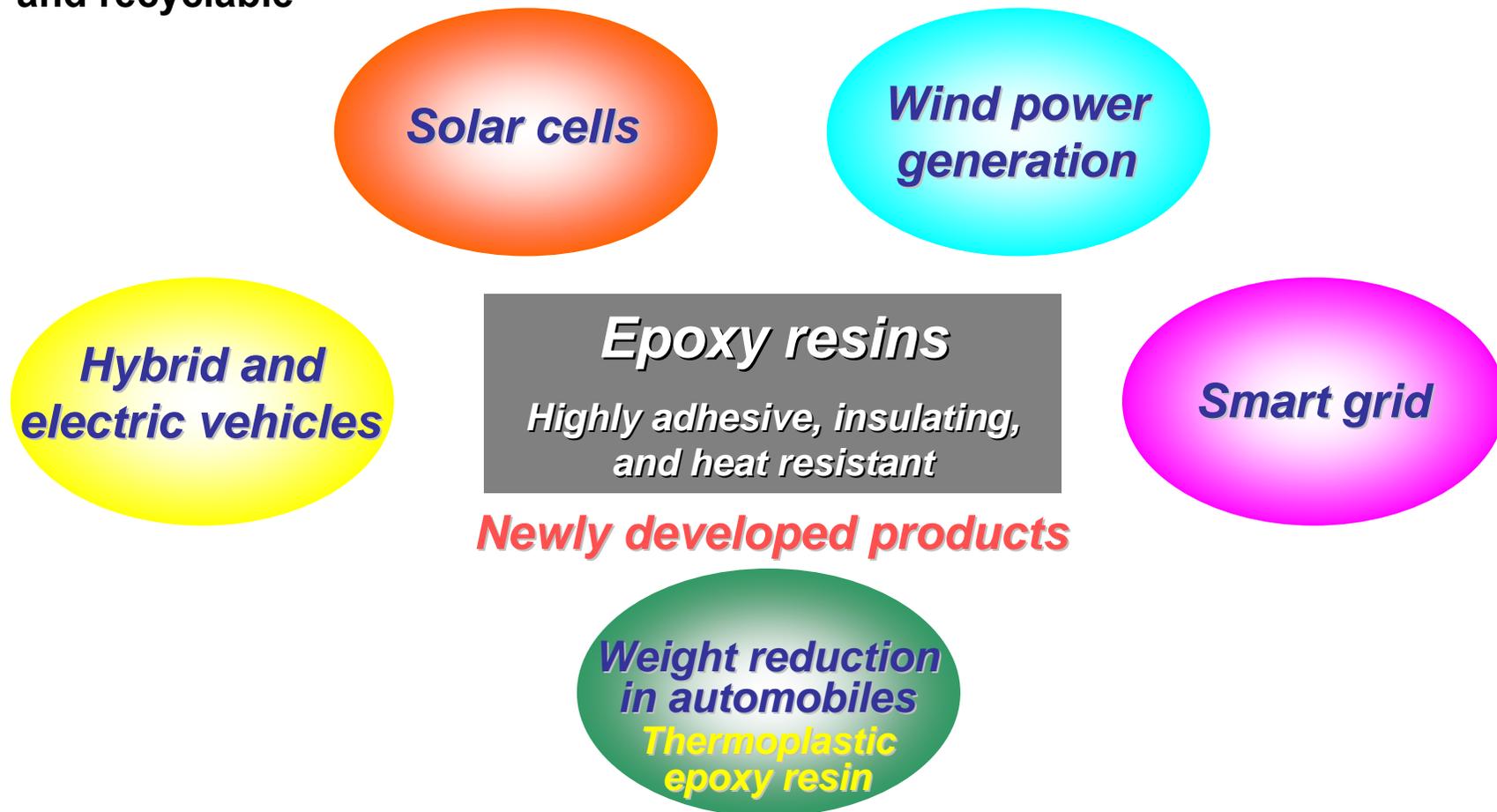




Goal for FY2011
 Share of new products: 20%
 Share of environment-friendly products: 25%

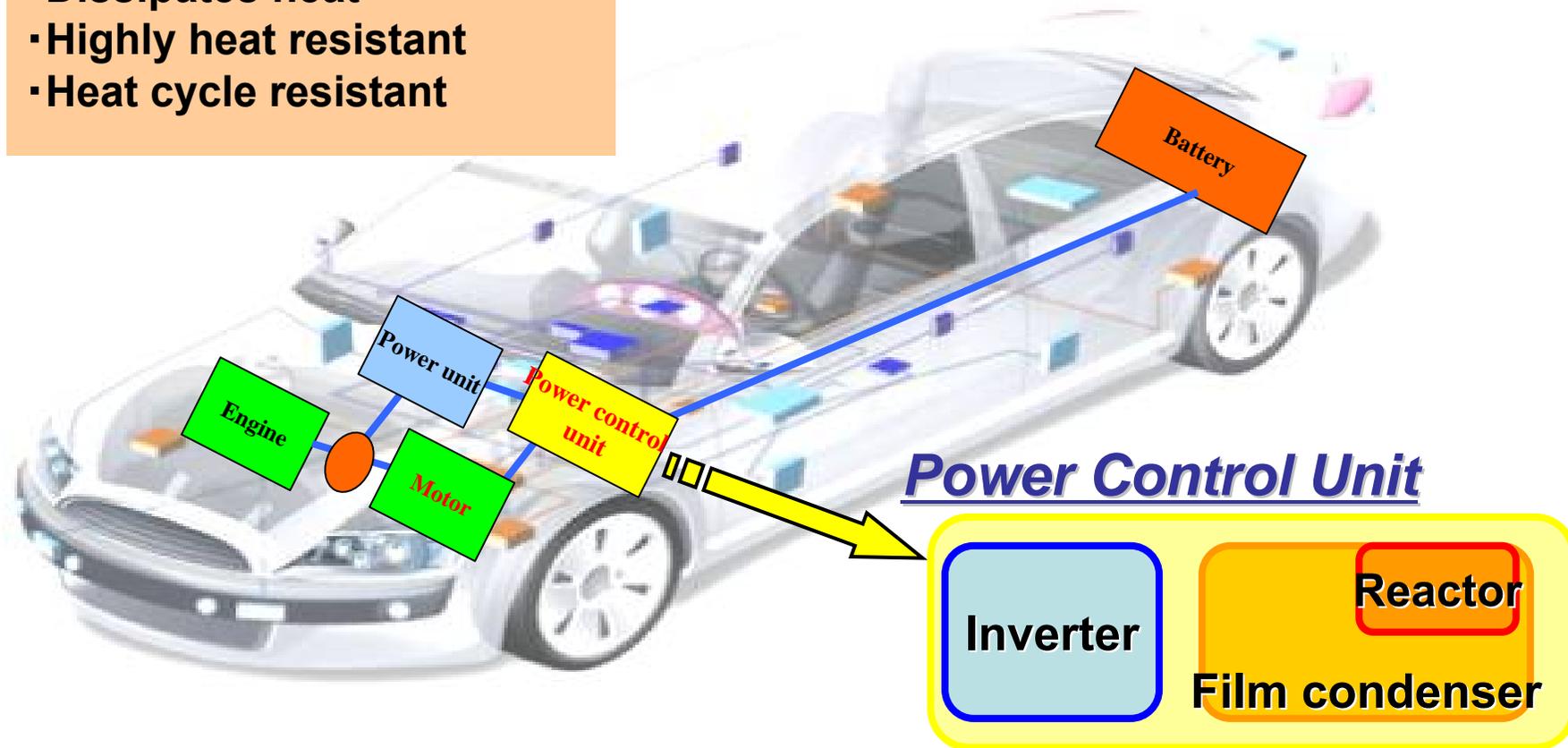
■ Basic strategy

- ✧ Develop materials that are indispensable to next-generation products in the environment and energy fields
- ✧ Focus particularly on developing materials that are light-weight, durable, safe, and recyclable



Required features:

- Dissipates heat
- Highly heat resistant
- Heat cycle resistant



Combines a booster converter to raise the voltage needed to start the motor and an inverter that converts the battery's DC output to AC.

Uses of epoxy resins:

- ✧ **CIGS* solar cell substrate insulation**
- ✧ **Insulation of through-via connections in CIGS* solar cells**
- ✧ **Sealing agent for silicon solar cells**

***CIGS**

Copper Indium Gallium DiSelenide
(next-gen. solar cells, different from conventional silicon cells)

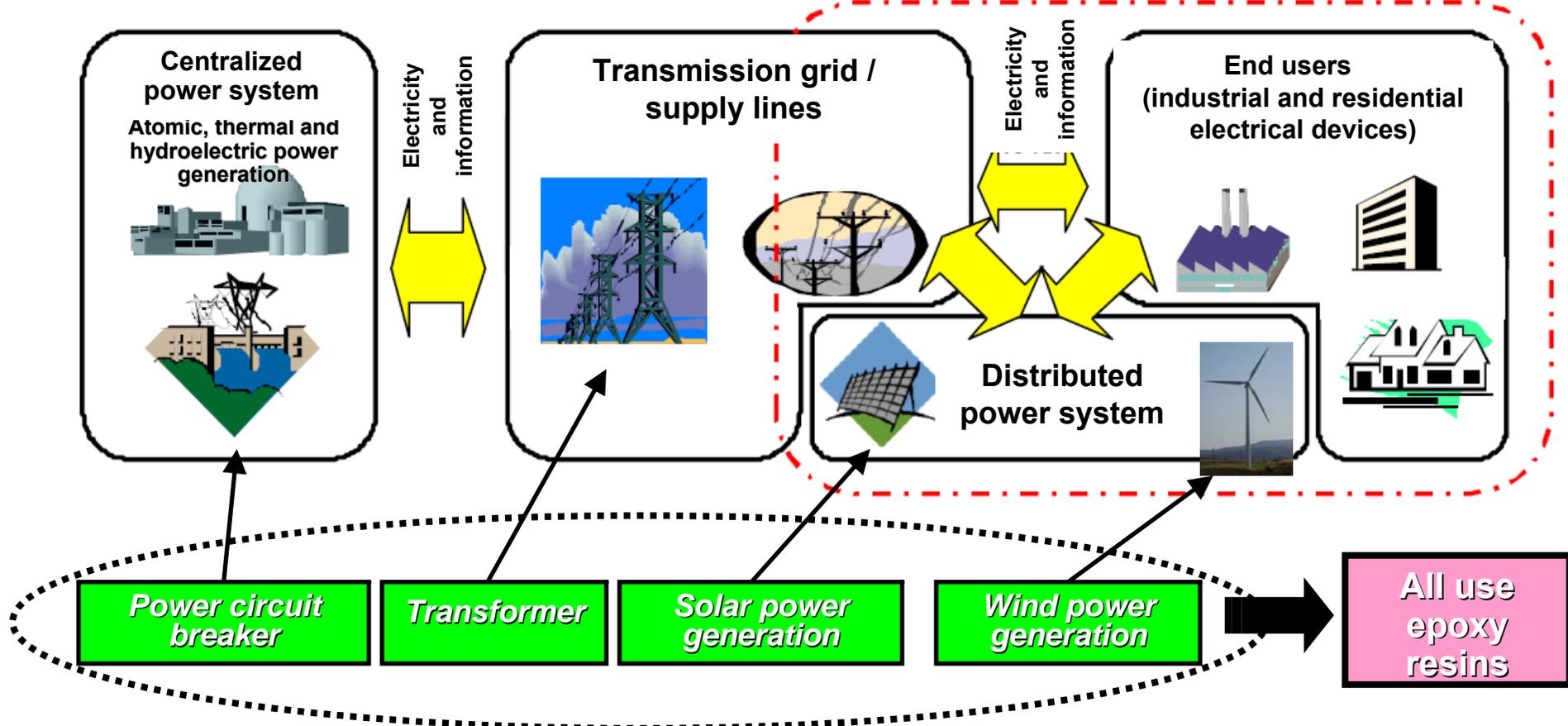
Uses of epoxy resins:

- ✧ **Materials for turbine (FRP) blades**
- ✧ **Mold materials**
- ✧ **Adhesives etc.**



Smart Grid Overview

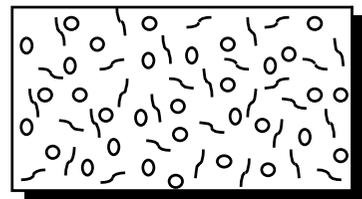
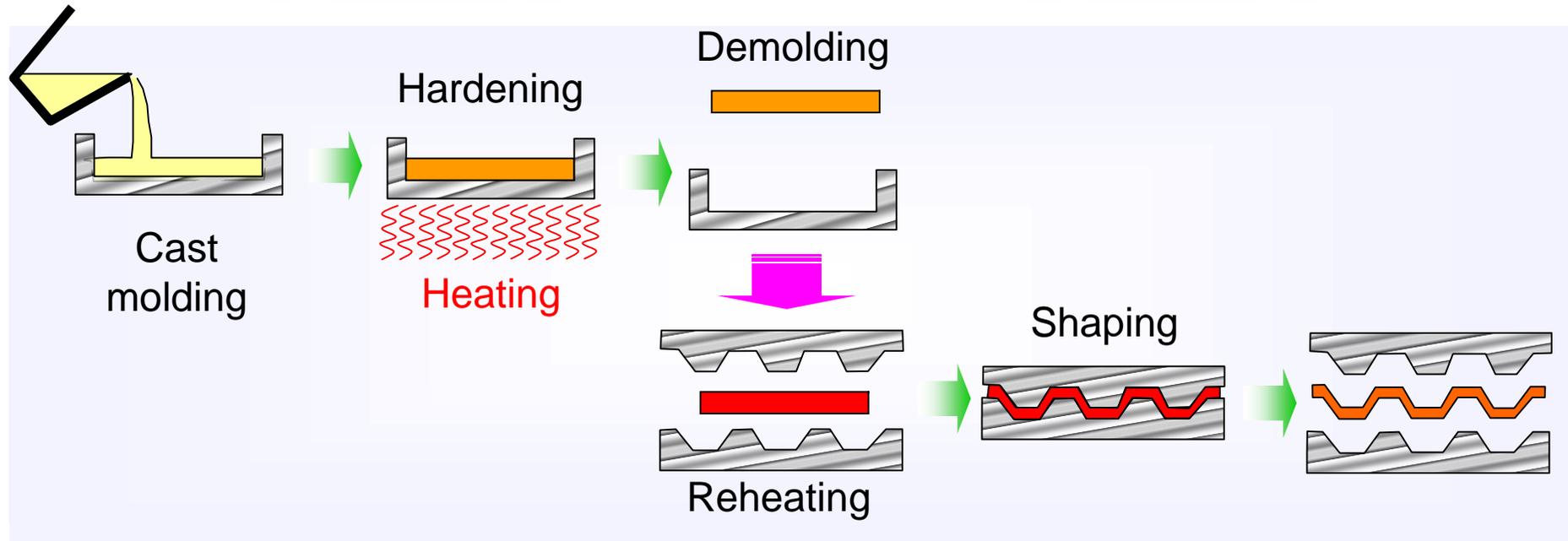
*Excerpted from a report released by the Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy (study on low-carbon power distribution systems, Feb. 24, 2009)



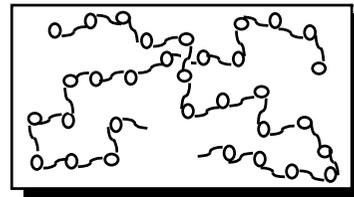
Stable distribution of power from distributed power systems (solar power, wind power) will require the **addition of new transformers to the grid and the installation of large storage devices**. The Agency for Natural Resources and Energy's study on low-carbon power distribution systems concluded that introduction of a smart grid is imperative.

Carbon fiber-reinforced composite materials that use thermoplastic epoxy resin

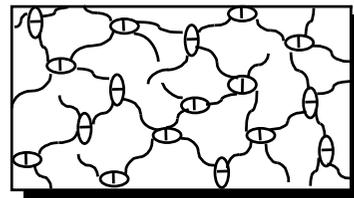
- ✧ Parts can be reshaped even after CFRP molding
- ✧ Recyclable as it is soluble in solvents



Low-viscosity liquid monomer



Straight-chain polymer



Reticulate polymer

- **Recyclable**
- **Can be reshaped**
- **Dissolves in solvents**
- **Tough**



Easy to
impregnate
carbon fibers

FRP
molding



Secondary
shaping



**Material can be reshaped
even after FRP molding!**

Special Epoxy Resin

Halogen-free (900ppm or less) printed circuit materials have been made standard by industrial associations in various countries
 → **Rising need for environmentally friendly low-chlorine and chlorine-free products**



◆ Lineup of low-chlorine and chlorine-free products made possible by development of proprietary processes

✧ **Recycle, reuse and reduce the agents used in LCD manufacturing**

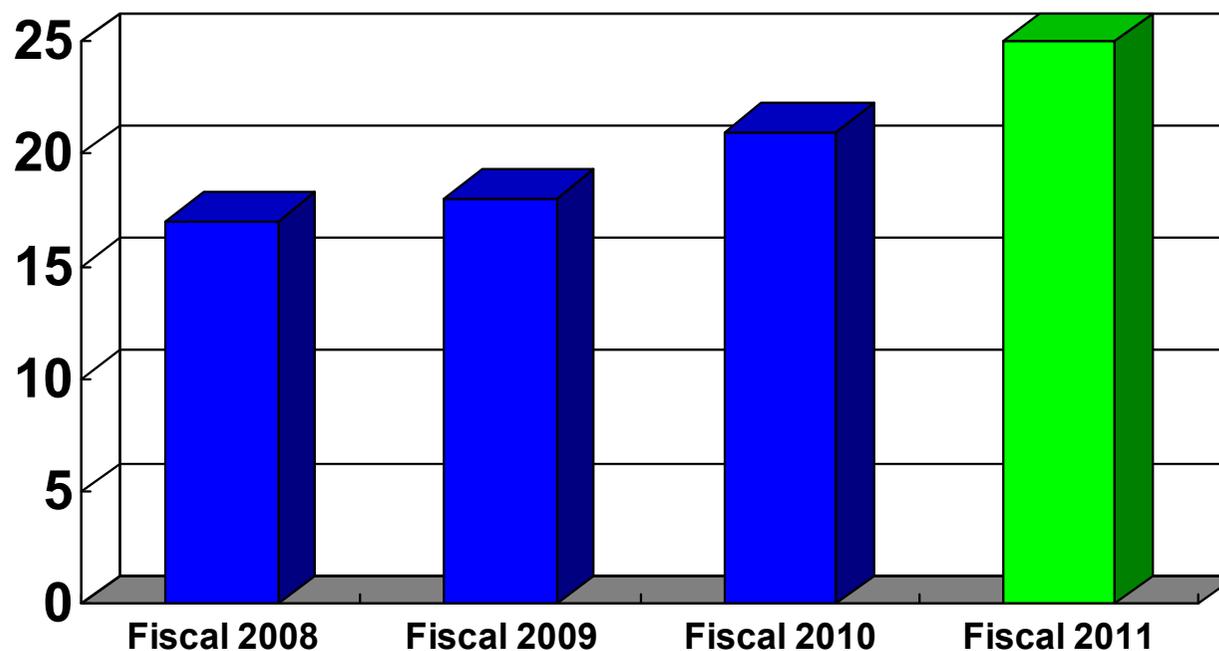


The on-site plant at Sharp LCD manufacturing complex was recognized as a “resource productivity reform plan” under the revised Act on Special Measures on Industrial Revitalization (September 2009)

✧ **Enzymes, agricultural microorganisms, water treatment-related products, etc.**

Environment-friendly products' share of total sales: 25% (fiscal 2011 target)

(%) **Environment/Energy Business Sales to Total Sales**



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 13, 2009. Actual results may differ from projections due to risks and uncertainties associated with the global economy, competition, and exchange rate fluctuations and other risks and uncertainties.