

NAGASE

FYE March 2012

Second Quarter Financial Briefing

**The Technology and Intelligence Oriented Company
that Turns Wisdom into Business**

Nagase & CO., LTD.

November 21, 2011

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FYE March 2012 Second Quarter Results

Lower revenues and profits due to March 11 earthquake, yen valuation; still met profit targets

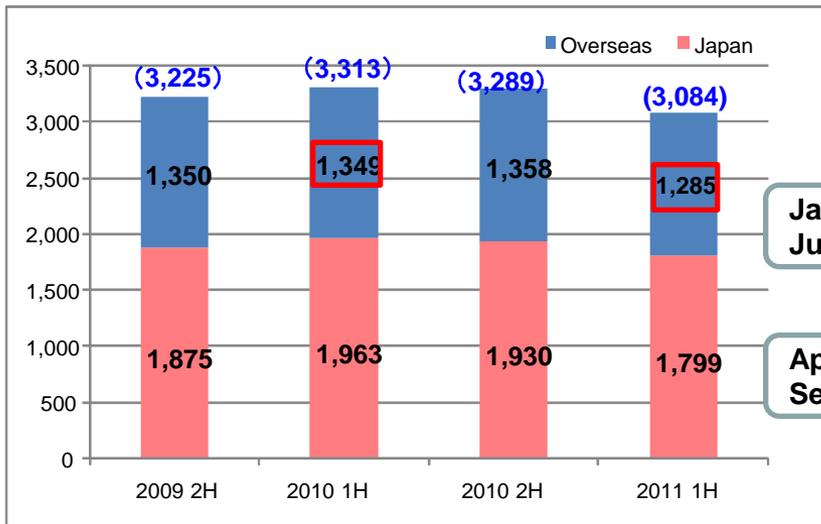
(100 millions of yen)

	10/09	11/09	Change	vs. PY	Budget (Orig. Forecast)
Net sales	3,313	3,084	-228	93%	3,150
Gross profit (GP ratio)	370 (11.2%)	357 (11.6%)	-12	97%	352 (11.2%)
Selling, general and administrative expenses	-264	-279	-15	106%	-275
Operating profit	105	77	-27	74%	77
Ordinary income	113	92	-21	81%	85
Net income	68	54	-14	79%	54
Net income per share	¥53.29	¥42.04			

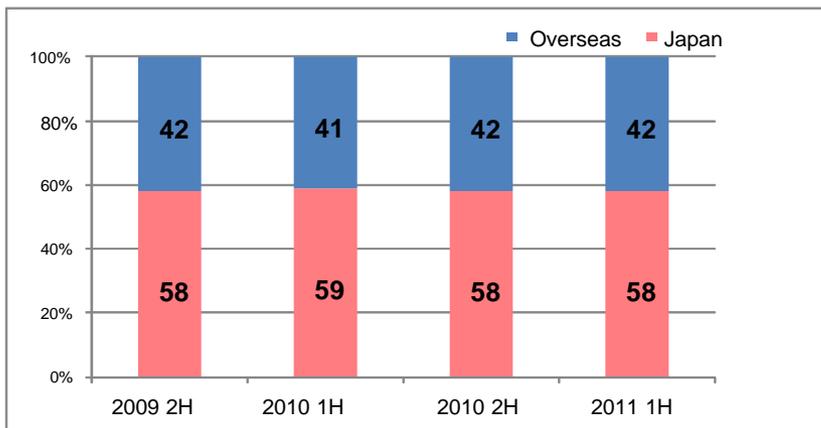
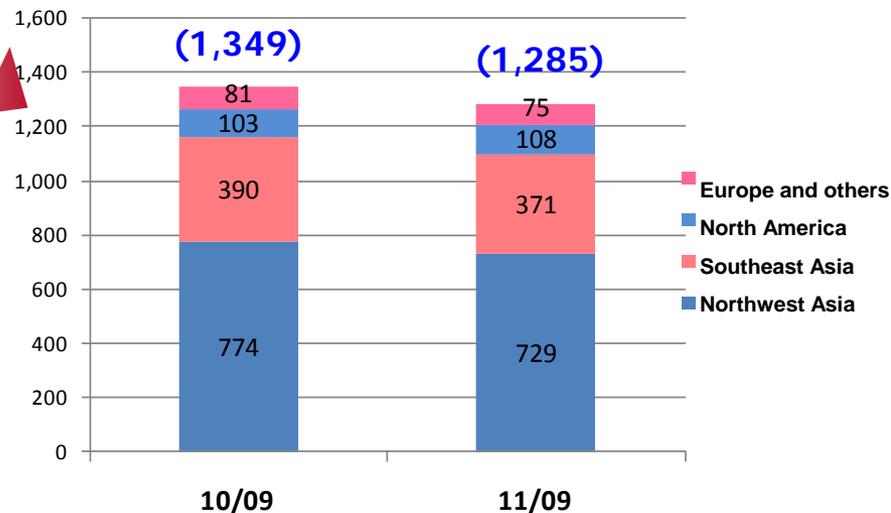
New consolidated companies: Fukui Yamada Kagaku Kogyo Co., Ltd., Sofix Corporation (U.S.), CAPTEX Co., LTD., Nagase Filter Co., Ltd.

Net sales ¥308.4 bil (Japan ¥79.9 bil; Overseas ¥128.5 bil) **¥22.8 bil YOY decrease**

(Japan -¥16.3 bil, Overseas -¥6.4 bil)



Overseas Sales by Region (vs. PY) (100 millions of yen)



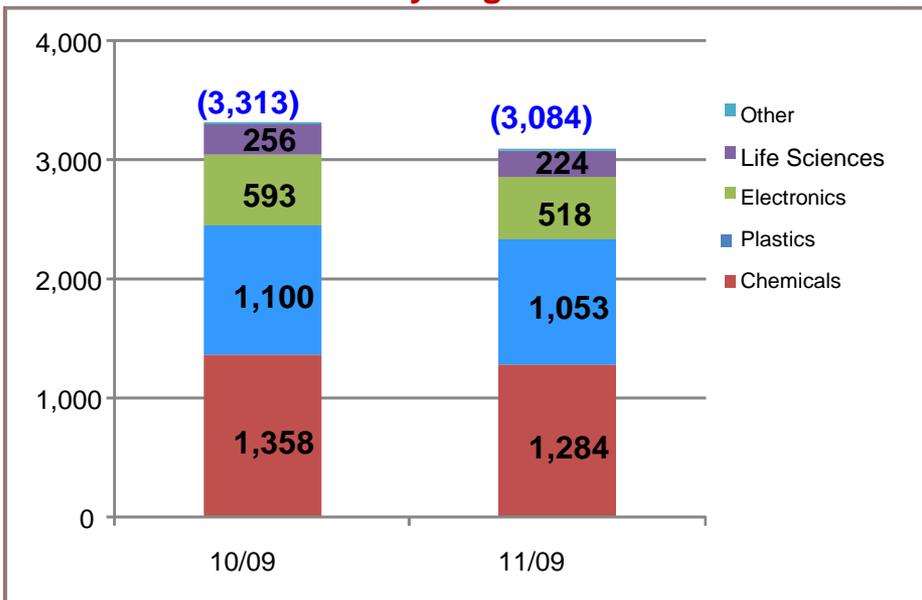
- Overseas Net Sales Ratio Increase (41%→42%) -

Eliminating the year-on-year impact of the yen valuation increase (approx. 10%), real overseas net sales for the period ended September 2011 rose an additional 2%.

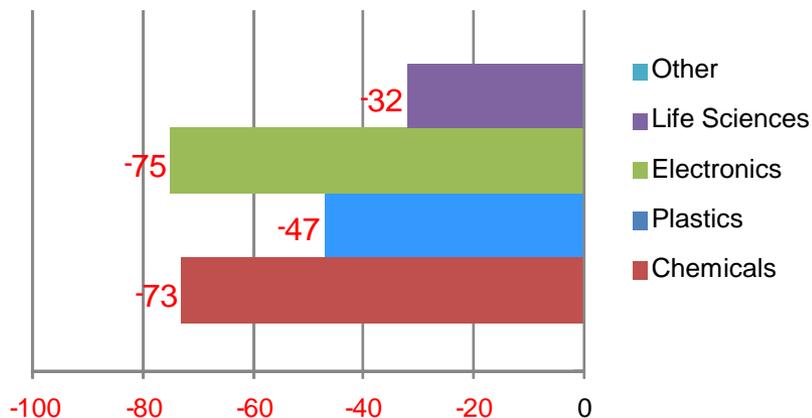
(Ref.) USD-JPY Avg. Exchange Rate 2009-2011

Ave. Exchange Rate	2009				2010				2011			
	1-3	1-6	1-9	1-12	1-3	1-6	1-9	1-12	1-3	1-6	1-9	1-12 (Forecast) ↓
	95.20	95.98	94.92	93.72	90.75	91.02	89.02	87.32	82.33	81.78	80.21	79.30

Net Sales by Segment (100 millions of yen)



Change (vs. PY)



Net Sales by Segment (vs. PY)

Chemicals ¥128.4 bil (-¥7.3 bil, -5.4%)

- Coating raw material sales increased; urethane materials to the automotive industries, plastic materials and additives decreased
- Dyes/additives, information printing materials mostly flat; functional color pigments for display-related applications, dyestuffs for fiber processing industries, fiber processing agents decreased
- Surfactants/raw materials for industrial oil solutions increased; precision abrasive materials/organic products/fluorochemicals decreased

Plastics ¥105.3 bil (-¥4.7 bil, -4.3%)

- Office equipment, appliance net sales (mainly exports to China) decreased
- Automotive materials decreased
- Mainstay products in functional films and sheets, plastic molding products decreased
- Northeast Asia decreased, Southeast Asia/North America decreased slightly

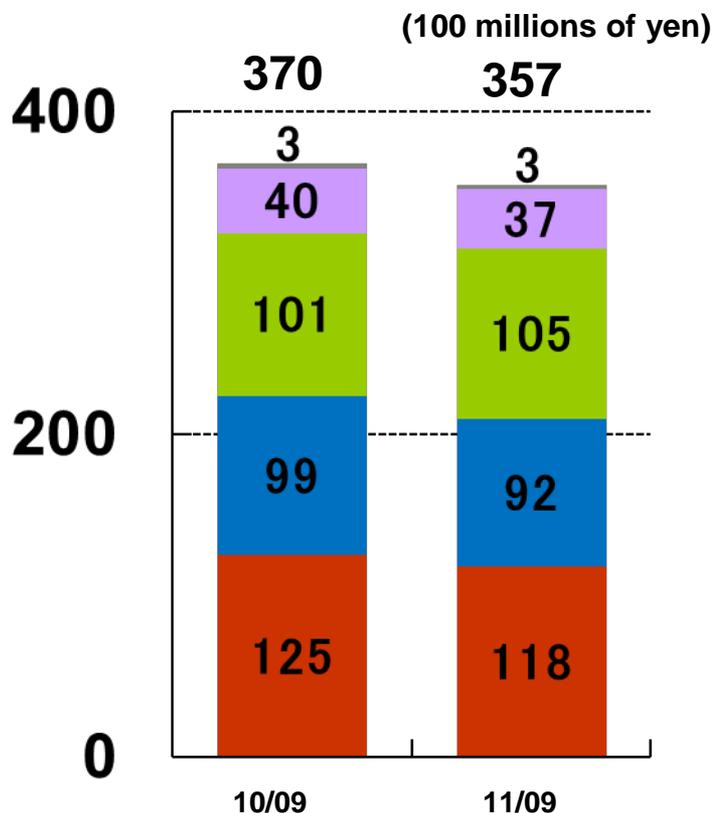
Electronics ¥51.8 bil (-¥7.5 bil, -12.7%)

- Withdrew from domestic liquid crystal-related components processing business
- LCD films/ touch-panel modules increased
- Chemicals for semiconductors and LCD panels decreased
- Formulated epoxy resins increased for heavy electric machinery/mobile phones

Life Sciences ¥22.4 bil (-¥3.2 bil, -12.6%)

- Pharmaceutical raw materials/intermediates, daily commodities and agricultural chemical-related businesses decreased
- Enzymes and fermentation products decreased
- Beauty care products business declined (strong sales of new products offset by lower health foods sales)

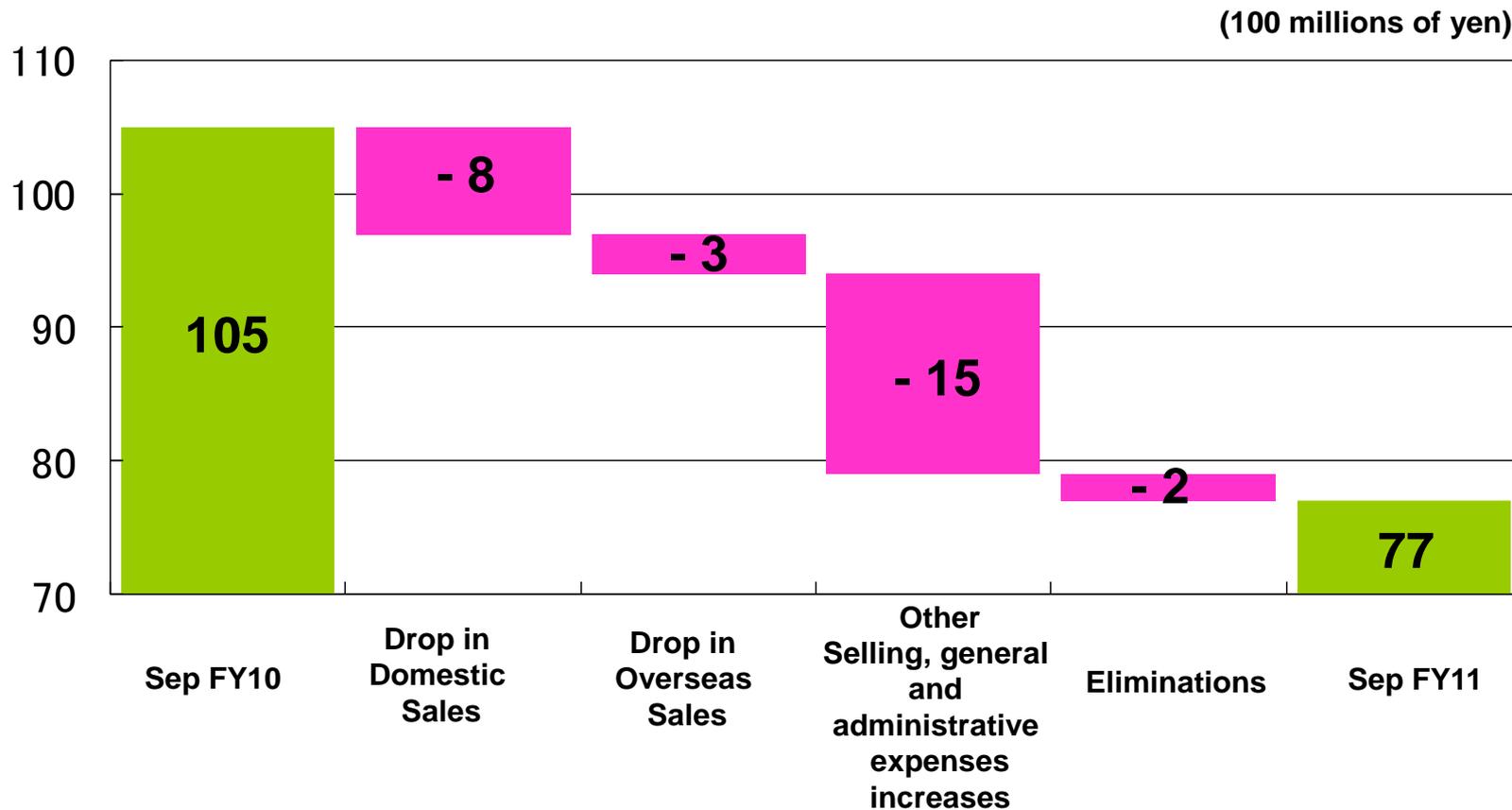
Gross Profit: ¥35.7 bil -¥1.2 bil -3.3%



Gross Profit by Segment (vs. PY)

Chemicals	¥11.8 bil	- ¥700 mil	-5.6%
Plastics	¥9.2 bil	- ¥600 mil	-6.4%
Electronics	¥10.5 bil	+ ¥400 mil	+4.5%
Life Sciences	¥3.7 bil	- ¥200 mil	-6.6%

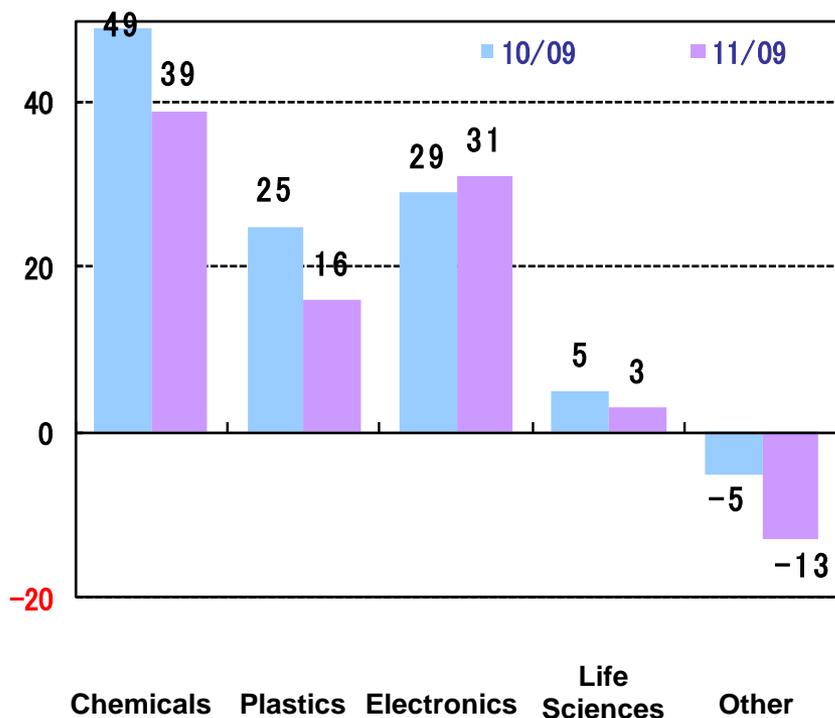




Operating Profit: ¥7.7 bil -¥2.7 bil -26.0%

<Operating Profit by Segment>

(100 millions of yen)



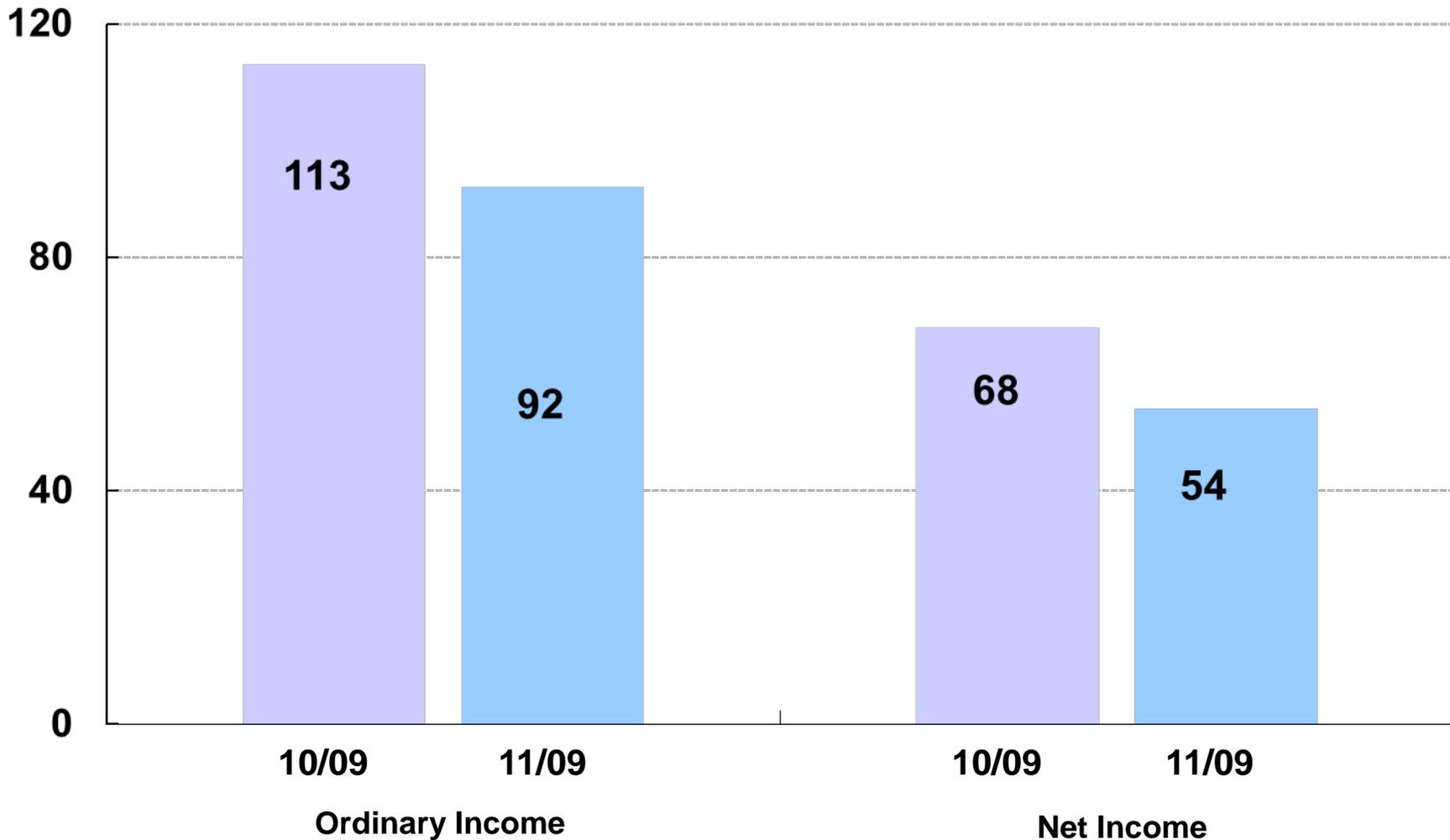
Operating Profit by Segment (vs. PY)

Chemicals	¥3.9 bil	-¥1.0 bil	-20.4%
Plastics	¥1.6 bil	-¥900 mil	-35.5%
Electronics	¥3.1 bil	+¥1.0 bil	+6.4%
Life Sciences	¥300 mil	-¥200 mil	-40.6%

Ordinary Income: ¥9.2 bil -¥2.1 bil -19.1%

Net Income: ¥5.4 bil -¥1.4 bil -21.1%

(100 millions of yen)



Inventories (non-consolidated and overseas) increased

(100 millions of yen)

《Assets》	11/03	11/09	Change	《Liabilities and Net Assets》	11/03	11/09	Change
Cash and time deposits	472	445	-26	Notes and accounts payable	1,016	1,005	-11
Notes and accounts receivable	1,861	1,824	-37	Short-term loans	161	239	+77
Inventories	367	450	+83	Other current liabilities	206	190	-16
Other current assets	72	77	+4	Long-term debt	105	54	-50
Property, plant and equipment	399	422	+23	Accrued retirement benefits for employees	72	80	+7
Intangible fixed assets	36	36	-0	Other long-term liabilities	96	84	-11
Investments in securities	507	466	-40	Shareholders' equity	1,959	1,995	+36
Other Property, plant and equipment, at cost	37	39	+2	(portion less treasury stock, at cost)	(-54)	(-54)	(-0)
				Net unrealized holding gain on securities	131	111	-20
				Translation adjustments	-76	-78	-2
				Stock acquisition rights	2	1	-1
				Minority interests	75	77	+1
				Total net assets	2,093	2,107	+14
				(Equity Ratio)	(53.7%)	(53.9%)	(+0.2%)
Total assets	3,753	3,763	+9	Total liabilities and Net Assets	3,753	3,763	+9

Despite an increase in working capital due to increase in inventories, income before income taxes of ¥9.4 billion and other factors led to a net ¥1.7 billion in net cash provided by operating activities.

Purchases of tangible/intangible fixed assets resulted in a net outlay of ¥4.9 billion in net cash used in investing activities.

(100 millions of yen)

	11/09	Major Factors	10/09
Net cash provided by (used in) operating activities	+17	Net Income before Income Taxes ¥9.4 bil Depreciation and amortization ¥3.3 bil working capital -¥5.4 bil Income Tax -¥4.4 bil	+24
Net cash provided by (used in) investing activities	-49	Purchases of property, plant and equipment -¥3.4 bil	-58
Net cash provided by (used in) financing activities	-0	Increase in short-term loans ¥2.6 bil Decrease in long-term debt -¥600 mil	+25
Net increase (decrease) in cash and cash equivalents	-32		-15
Increase in cash and cash equivalents accompanying consolidation	+1		+2
Cash and cash equivalents at beginning of the year	44-	Cash and cash equivalents on balance sheet ¥44.5 bil - ¥500 million in certificates of deposit due after three months = ¥44.0 billion	414

(Millions of yen)

	Company Name	Net Sales	vs. PY	Operating Profit	vs. PY	Net Income	vs. PY
Non-Consolidated	Nagase & Co	217,111	94%	1,770	56%	6,154	134%
Mfg. Companies	Nagase ChemteX	14,159	90%	1,590	72%	903	69%
	Totaku Industries Inc.	3,777	108%	136	113%	105	86%
	Total: Mfg. Companies	36,438	104%	2,481	88%	1,336	77%
Domestic Sales Companies	Nagase Plastics Co., Ltd.	15,346	115%	191	189%	110	126%
	Nagase Colors & Chemicals Co., Ltd.	7,011	92%	46	37%	27	28%
	Nagase Chemical Co., Ltd.	6,782	98%	114	102%	62	98%
	Total: Domestic Sales Companies	47,541	103%	733	111%	440	84%
Overseas Sales Companies	Nagase (Hong Kong) Ltd.	21,515	81%	328	43%	270	42%
	Nagase (Thailand) Co., Ltd.	12,583	103%	516	92%	374	94%
	Shanghai Nagase Trading Co., Ltd.	11,817	123%	161	75%	119	80%
	Total: Overseas Sales Companies	113,116	97%	2,590	73%	2,157	80%

* Totals in each category are simple calculations for each company; these figures do not reflect consolidated totals.

FYE March 2012 Earnings Projections

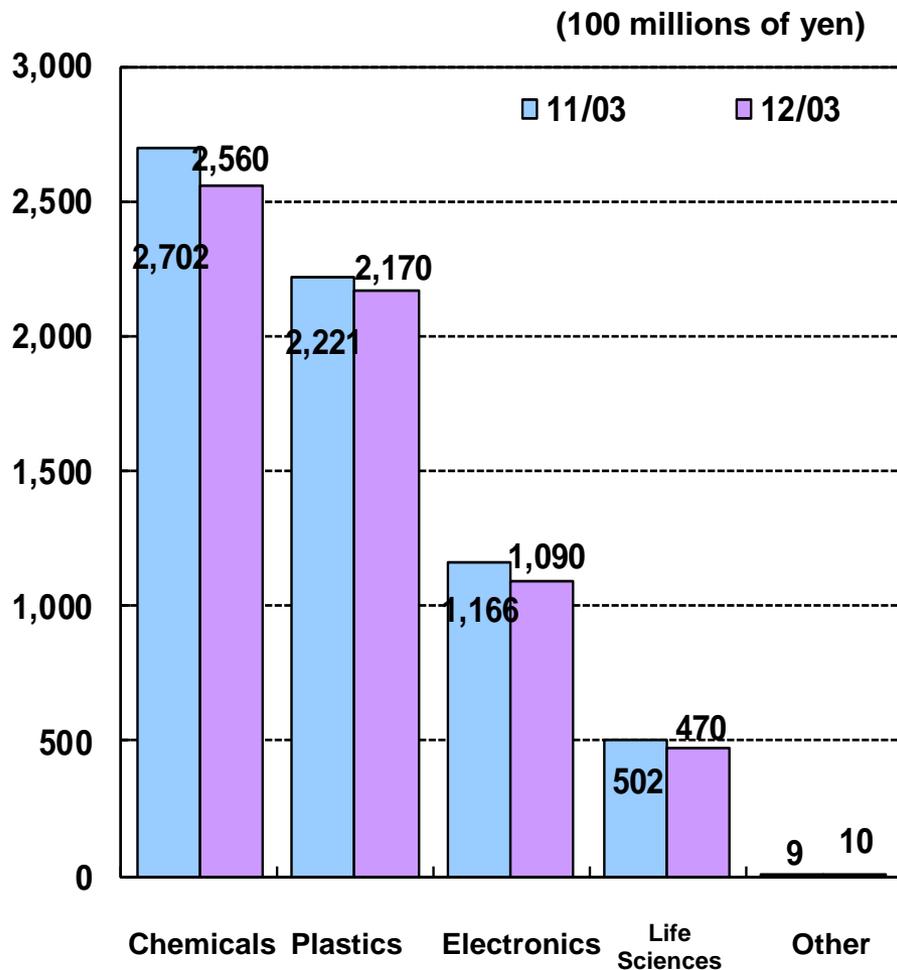
(100 millions of yen)

	12/03 Forecast	First-Half Results	Second-Half Estimate	12/03 Forecast	11/03 Actual	vs. PY
Net sales	6,600	3,084	3,216	6,300	6,602	96%
Gross profit	734	357	362	719	730	98%
Operating profit	180	77	78	155	187	83%
Ordinary income	190	92	78	170	206	82%
Net income	120	54	46	100	128	78%
Dividends per share	¥24	¥12	¥12	¥24	¥22	-
Assumed Exchange Rate (\$1US)	¥81			¥79.3	-	-

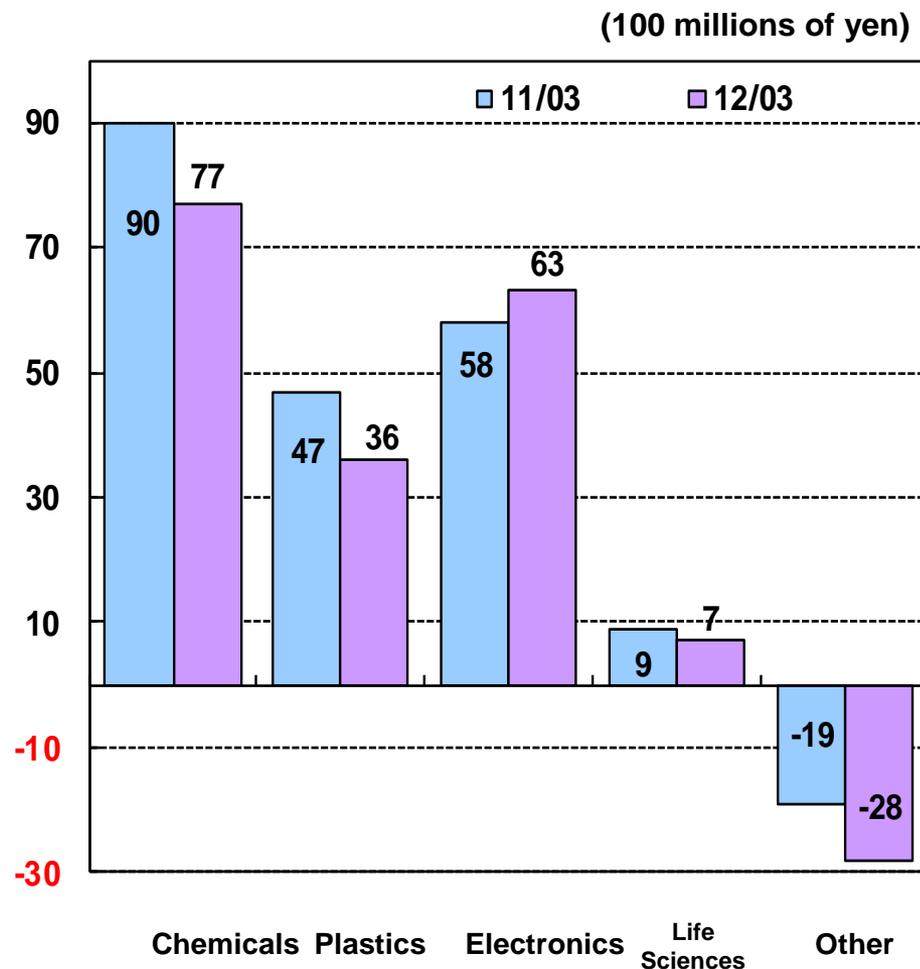
* Estimating an Oct-Dec 2011 exchange rate of \$1US=¥76.66

* Results for the three Hayashibara companies are not reflected.

<Net Sales Forecast by Segment>



<Operating Profit Forecast by Segment>



Mid-Term Management Plan
***"CHANGE 11"* Update**

Management Philosophy

Acknowledge that we are a part of the social structure, and that by honestly pursuing the right path to growth through offering goods and services demanded by society, we can provide improved employee welfare and make a contribution to society

Our Future

(For Customers)

See future changes in the market structure/environment, providing unique solutions that lead to growth for our customers and for Nagase & Co.

(For Employees)

Use business as a means to help employees reach their dreams and ideals

(For Shareholders/Investors)

Continue to grow and increase the value of our businesses, building our on strengths in technology

(For Society)

Contribute to a better society and a healthier environment



Management Philosophy
(Honestly Pursue the Right Path)

- 1 Selection and Focus in Business
- 2 Pursue Environment-/Energy-Related Technologies
- 3 More Focused Research and Development,
Manufacturing Function
- 4 Continued Globalization
- 5 Stronger Risk Management
- 6 Promote Workforce Diversity and Work-Life Balance

1 Selection and Focus in Business

- **Agreement to Sponsor the Reorganization of Hayashibara Co., Ltd. and Group Companies**

2 Pursue Environment-/Energy-Related Technologies

- **Work toward practical bio-processes to reclaim rare metals**
- **Start construction of new CAPTEX Co., Ltd. plant (Okazaki Plant)**

3 More Focused Research and Development, Manufacturing Function

- **Establish coating lab in India**
- **Start construction of new production line at Nagase ChemteX**

4 Continued Globalization

- **Nagase Singapore to open Australia branch**

5 Stronger Risk Management

- **Establish Nagase Business Management and Planning (Shanghai) Co., Ltd., in Shanghai**

6 Promote Workforce Diversity and Work-Life Balance

- **Continue department/work-unit programs led by the Diversity Promotion Committee**

Change
WIT2000

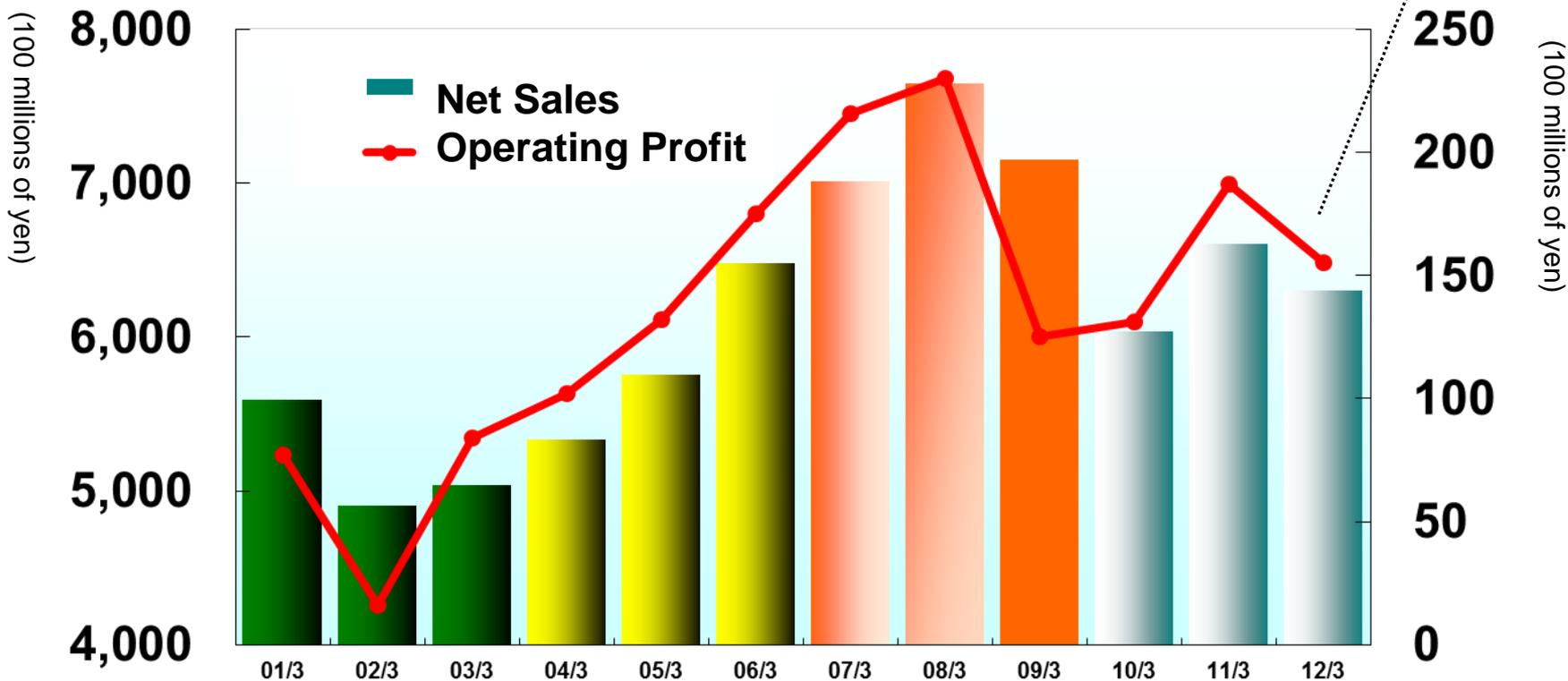
Promote
WIT21

**Expand/
Improve**
WIT2008

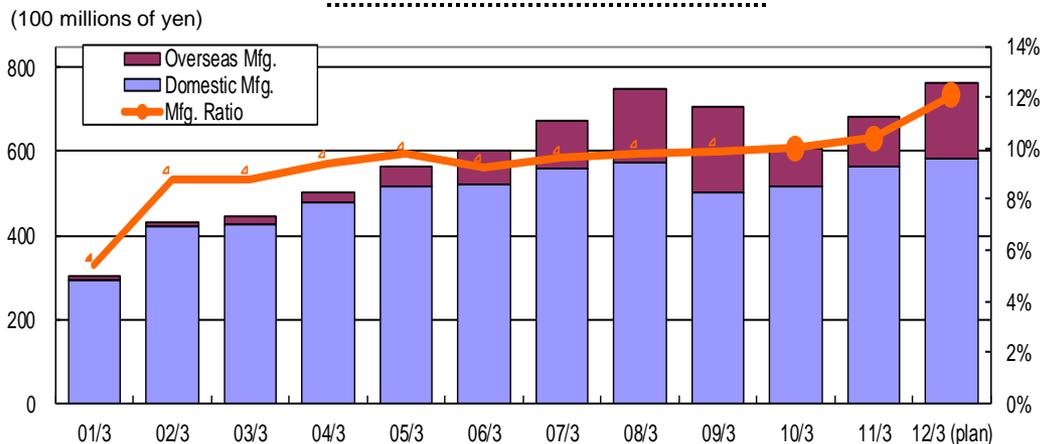
**Improve Quality of
Business and Management**
"CHANGE 11"

Original Target
Net Sales
¥ 720.0bil
Operating Profit
¥15.0 bil

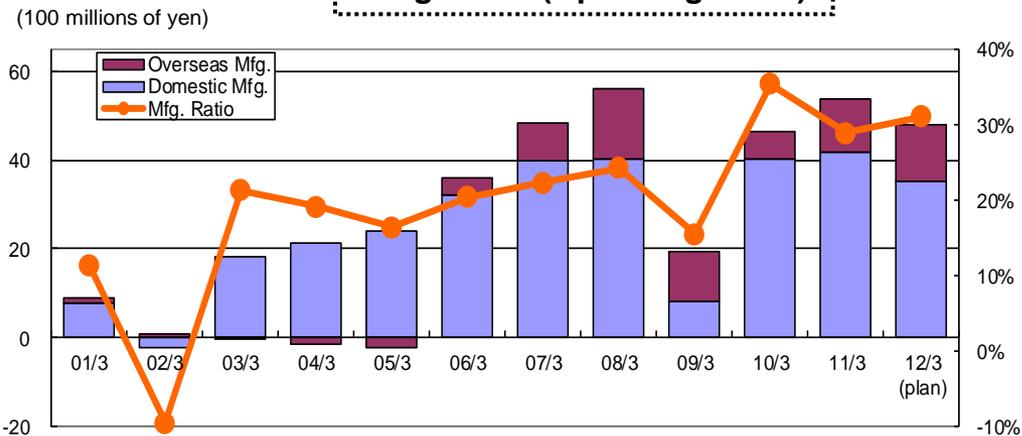
Investment ← ¥20.2 bil → ← ¥23.7 bil → ← ¥27.7 bil → ← ¥30.0 bil →



Mfg. Ratio (Net Sales)



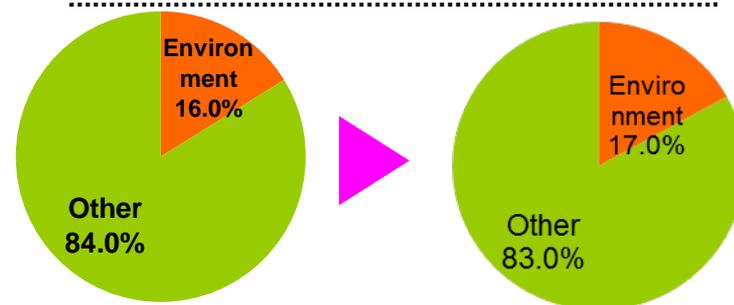
Mfg. Ratio (Operating Profit)



Investment (Three-Year)



Environment-/Energy-Related Net Sales Ratio



FYE March 2010

FYE March 2012 (plan)

Bio Business Growth Strategy

~ Agreement to Sponsor the Reorganization of Hayashibara Co., Ltd. and Group Companies ~

Mitsuru Kanno

General Manager

Fine Chemicals Business

- Nagase Group Mid-Term Management plan "CHANGE 11"
Focus (Automotive Electronics **Life Sciences**)

- Current Status of Life Sciences Business (March 2011)

Net Sales Ratio 7.6% (consolidated)

Operating Profit Ratio 4.6% (consolidated)



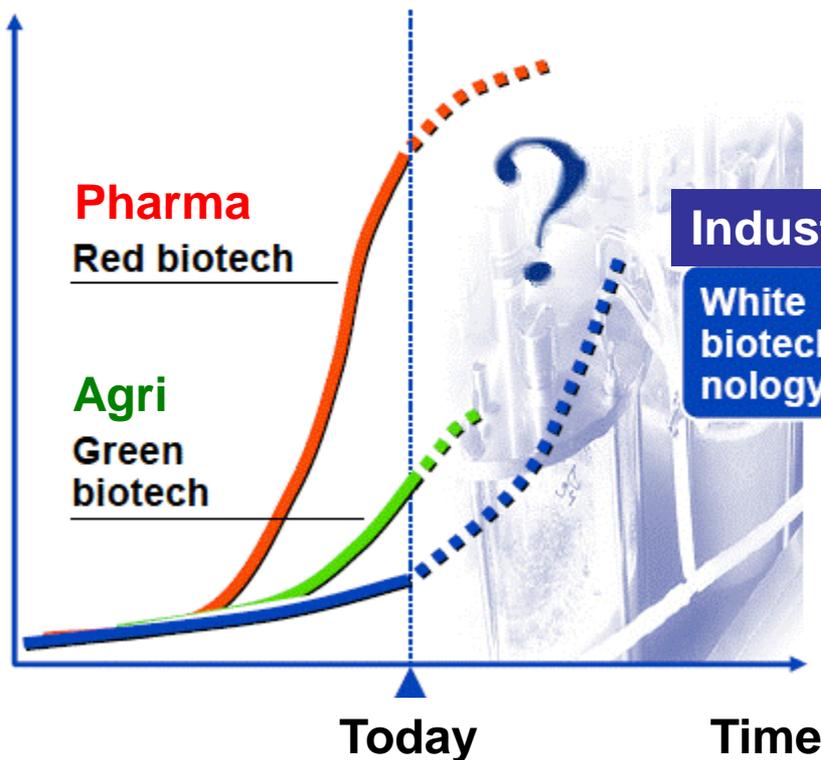
<Life Sciences Business>

- Bio (Enzymes) Business
- Pharmaceutical/ Intermediates/Agricultural Business
- Cosmetics and Health Foods Business

- Long-term strategy must be to transition from a petrochemical-reliant business to a business based on bio-derived technology/products.

Focus on our bio-business as the foundation for future growth

Market Penetration



Application in Industry Today

Bio Feedstock

Replace oil and gas with biomass



Bio Processes

Replace chemical synthesis with fermentation and biocatalytic methods



Bio Products

New functional products (biopolymer, enzymes, health food raw materials)

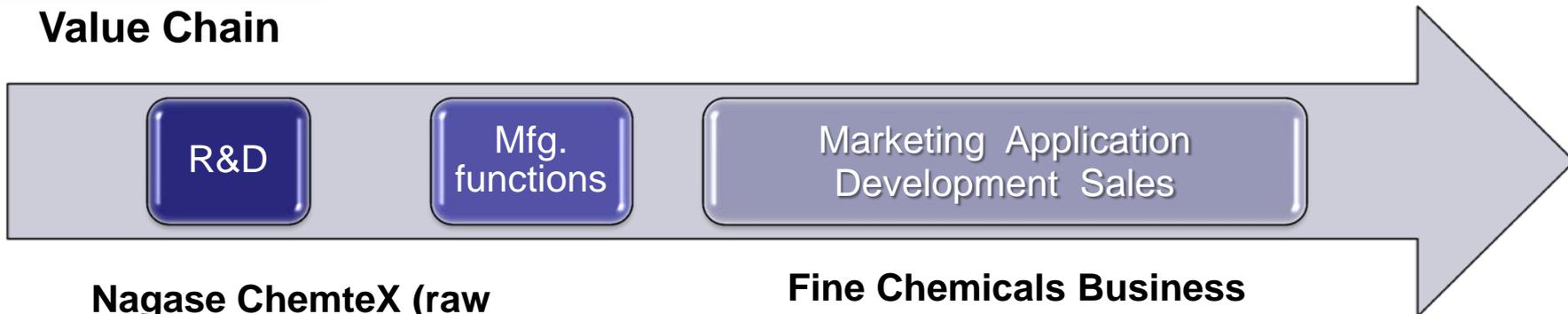


Seventy Years of Product Development in the Nagase Enzyme Business

~ The Beginning of a New Story

Years	1939 ~1950	1951 ~1960	1961 ~1970	1971 ~1980	1981 ~1990	1990 ~2000	2001 ~2010
Product	Amylase	Amylase (liquid culture) Alkaline protease		Glucose isomerase Heat-resistant α amylase Catalase	Wheat β amylase →soybean Protease granules Urease ASO	Algae-derived DHA	Protopectinase Lactase Chitinase Enzyme products
Technology	Glucose production process	Liquid-submerged fermentation	Exported immobilized cell culture technology to India		Exported protease production technology to the USA		Work with Streptomyces

Value Chain



Nagase Group

Nagase ChemteX (raw chemicals)/Nagase R&D



Fine Chemicals Business Overseas Entities



Downstream Productization

Need to strengthen the value chain

Product Capacity

Hayashibara Group



Hayashibara Shoji, Inc.

Hayashibara Co., Ltd./Hayashibara Biochemical Laboratories, Inc.

Sponsorship Agreement Overview

Contribution

Contribute ¥70.0 billion, for the restructuring of the three Hayashibara companies.

Transferred Businesses/Assets

- R&D/manufacturing/sales for raw foods, perfume and cosmetic materials, pharmaceutical materials and functional colorants businesses
- Business assets of the three Hayashibara companies
- Corporate philanthropy (anthropoid research/paleontology research/art museum)

Merger of the three Hayashibara Companies

Followed by a 100% capital reduction, and receipt of all newly issued shares. New entity becomes a wholly owned subsidiary.

	Hayashibara Co., Ltd.	Hayashibara Shoji, Inc.	Hayashibara Biochemical Laboratories, Inc.
<Head Office>	1-2-3 Shimoishii, Kitaku, Okayama	1-2-3 Shimoishii, Kitaku, Okayama	1-2-3 Shimoishii, Kitaku, Okayama
<Business Lines>	Manufacturing of raw materials for foods, pharmaceuticals and chemicals	Starch saccharification of maltose, trehalose, pullulan, etc. for pharmaceuticals and foods	Manufacturing and sales of raw materials for pharmaceuticals, cosmetics, chemicals (functional colorants); manufacturing and sales of research reagents, general pharmaceuticals, cosmetics
<Established>	July 1932	April 1962	September 1970
<Common stock>	¥100 million	¥10 million	¥50 million
<No. of Employees>	288	96	235
<Branch Offices>		Tokyo Branch Office/ Osaka Branch Office	
<Sales Offices>		Sapporo, Sendai, Niigata, Utsunomiya, Yokohama, Nagoya, Kanazawa, Kobe, Okayama, Fukuoka, L Plaza, C Plaza	
<Plants>	Okayama No. 1 Plant, Okayama No.2 Plant, Okayama Functional Saccharides Plant		Yoshihi Seiyaku Plant, Fujita Plant, Fujita Seizai Plant
<R&D Facilities>			Research Center (Carbohydrate Research Dept, Pharmaceutical Research Dept, Basic Cell Research Dept, Photosensitive Pigment Research Dept, Tokyo Research Lab), Anthropoid Research Center, Paleontology Research Center
<Other >			Patent Center, Development Center, Cosmetics/Pharmaceuticals & Chemicals Center

Net sales: ¥31.0 billion (**approximately ¥29.0 billion in Life Sciences field**)
 (Total of Hayashibara, Hayashibara Shoji, Hayashibara Biochemical Laboratories for FYE October 2010)

No. of Employees: Approx. 620

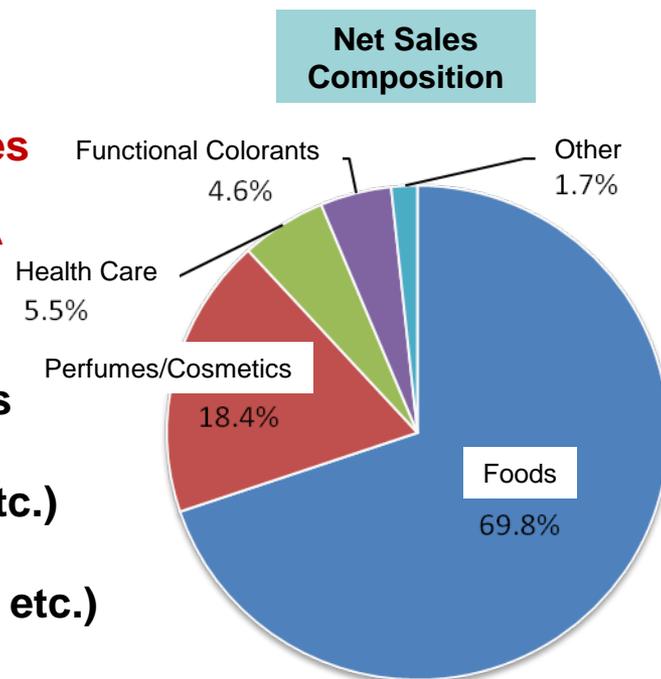
Main products:

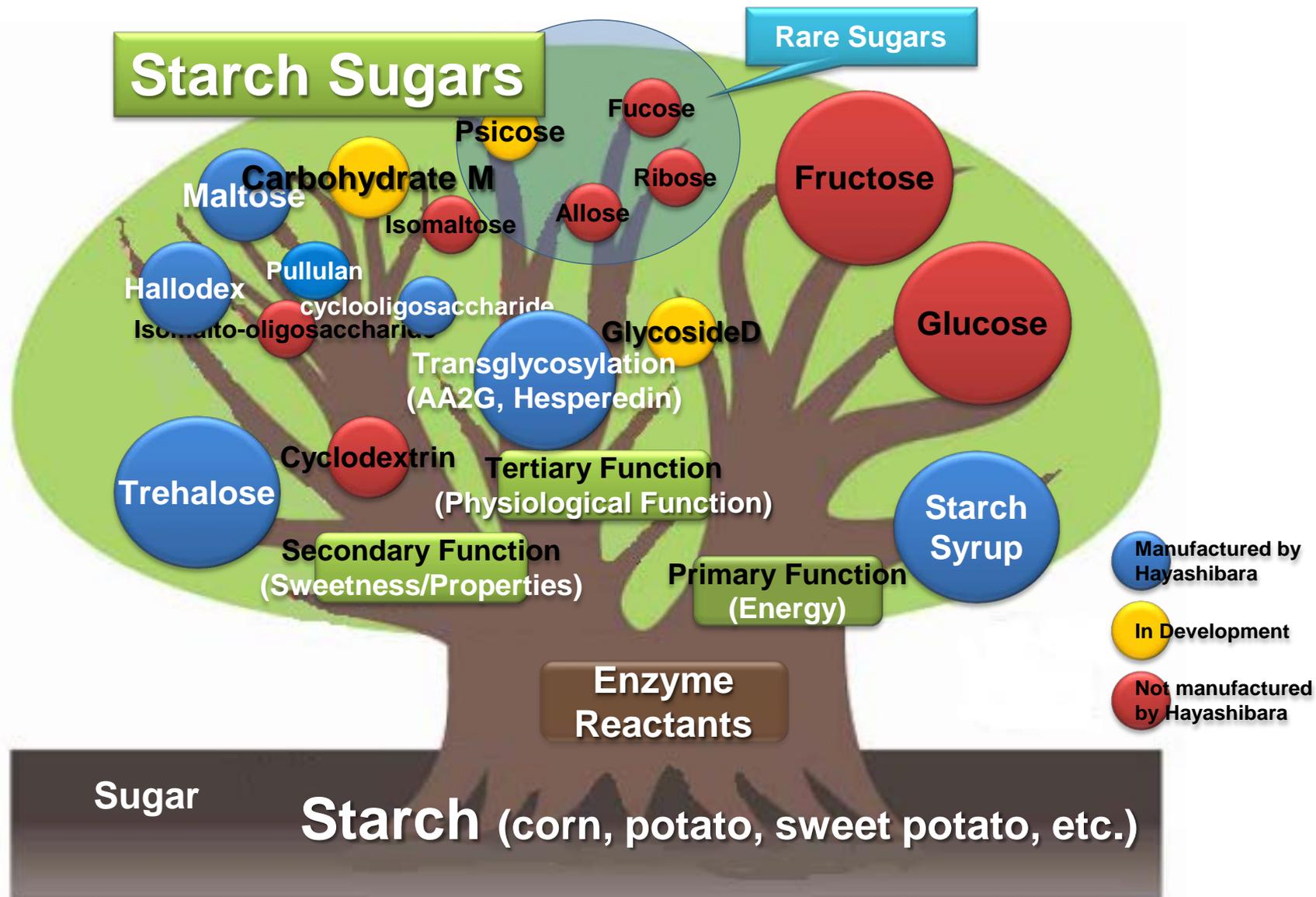
Food materials:
 trehalose,
 maltose (sweetener),
 other functional saccharides

Cosmetic materials:
 stabilized vitamin C (AA2G)

Main Plants: Okayama No. 1, No. 2,
 Functional Saccharides Plants

Transactions with Nagase: Nagase net sales (enzymes, etc.)
 approx. ¥100 million/year
 Nagase purchases (trehalose, etc.)
 approx. ¥200 million/year

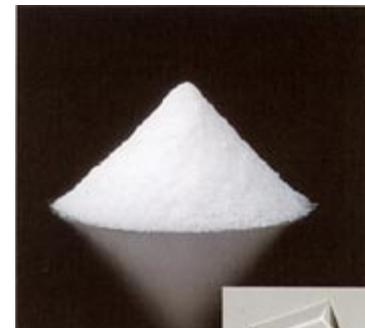




[Characteristics/Strengths]

- Natural sugar found widely in nature
- Light sweetness (approximately 45% of sugar)
- Called the "dream sugar" due to various functionality including hygroscopy resistance, starch retrogradation resistance, freeze resistance, desiccation resistance, etc.

	Trehalose	Competitor A	Competitor B
Low-Sweetness Sugar	○	○	○
Crystal Powder	○	×	×
Acid-/Heat-Resistant	○	○	○
Non-Staining	○	△	△~×
Safety	○	○	○



[Principal Uses]

Japanese confections, Western confections/desserts, beverages, bread,
 Other/ limits discoloration, limits protein denaturation, freeze-resistant,
 starch retrogradation-resistant, maintains vegetable freshness, limits hygroscopy/
 food additive

Approximately 90% of sales within Japan

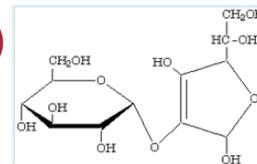
[Competitive Position (other companies, other products)]

The Hayashibara Group discovered a new trehalose-formed enzyme in microorganisms, and developed a technology to manufacture trehalose directly from starch.

This resulted in the successful manufacture of stable trehalose at 1/100 of the normal cost, leading to a dramatic increase in use in foods.

The Hayashibara Group is the only commercial-scale trehalose manufacturer.

AA2G: (L-Ascorbic Acid 2-Glucoside: Stabilized Vitamin C)



[Characteristics/Strengths]

Using a glycosyltransferase-derived from microorganisms, Hayashibara is able to manufacture starch-derived glucose by transaminating vitamin C. This allowed the first commercial-scale manufacturing in the world.

L-Ascorbic Acid (vitamin C) is known to limit abnormal pigmentation in the skin. AA2G is much more stable than vitamin C, and demonstrates the same physiological activity in living organisms as vitamin C. As such, AA2G is used in skin-whitening cosmetics.

In Japan, AA2G was approved as an active ingredient in nonmedicinal products in 1994.

[Principal Uses]

Used in Japan and overseas by major cosmetics manufacturers in skin-whitening/skin care products.

Approximately 75% of sales are in Japan.

The skin care market accounts for more than ¥600 billion of the total cosmetics market in Japan. Of that amount, more than ¥210 billion is spent on skin-whitening/skin care.



[Competitive Position (other companies, other products)]

AA2G is superior to regular vitamin C:

More stable

Easier formulation (less processing by cosmetics manufacturers)

Better solubility (less damage to skin during application)

Better safety (pH is close to skin pH)



(100 millions of yen)

	2011 Forecast	2015 Plan	vs. 2011	vs. 2011
Net sales	260	330	125%	70
Gross profit	120	155	129%	35
General and administrative expenses	67	85	127%	18
Operating profit	53	70	132%	17
EBITDA	70	85	121%	15

About the philanthropy project:

While we are considering transferring the philanthropy project (anthropoid research, paleontology research, art museum) to a more compatible organization in the future, the current plan figures include philanthropy project operating expenses.

Note) The fiscal 2011 forecast consists of figures estimated by the business trustees at the time that the reorganization plan was created. These figures assume a withdrawal from the purchasing business. The fiscal 2015 plan consists of figures based on calculations considering the Nagase sponsorship of the Hayashibara Group reorganization.

These figures may differ significantly from actual results due to various risks or uncertainties that may occur in the future.

Stronger Sales = Revised Overseas Strategy

Reexamine overseas locations (sales, manufacturing bases)

Study the construction of applications labs

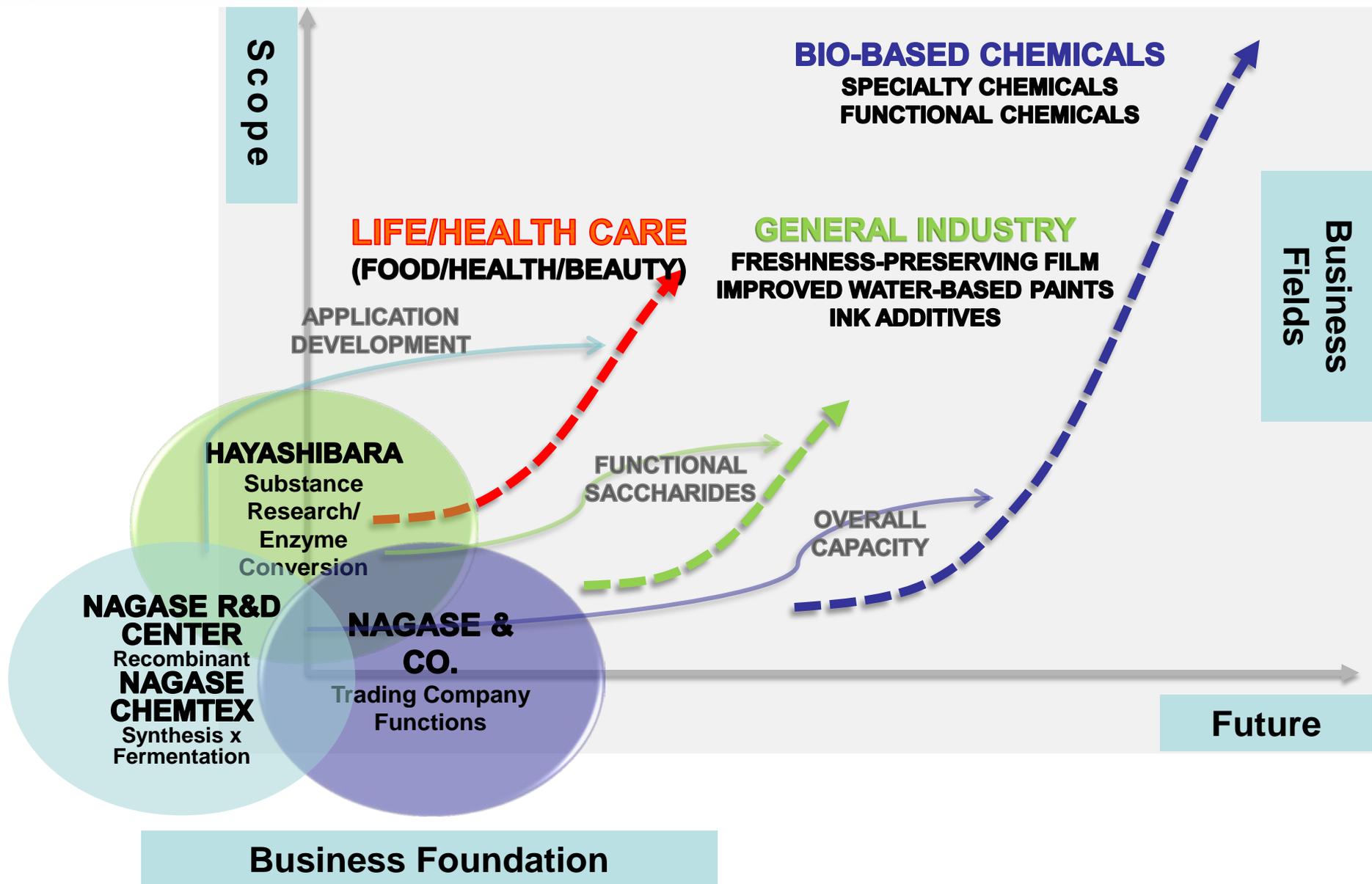
Assignment of Hayashibara engineers + Nagase sales staff

Stronger R&D, Production Systems

Integrate Nagase R&D centers, Nagase ChemteX research/
production departments

Stronger Management Function

Improve accounting/compliance functions



- | | |
|----------------------------|--|
| November 18, 2011 | · Submit reorganization plan to the Tokyo District Court (completed) |
| December 31 | · Reorganization plan approval (expected) |
| Early January, 2012 | · Public notice of reorganization plan approval (two weeks) |
| Late January | · Finalized reorganization plan (expected) |
| Early February | · Merger of the three Hayashibara companies
· ¥70 billion contribution
(Receive new stock issue ¥15 billion ¥55 billion loan)
· Consolidate as wholly owned subsidiary |

Note) This forecast was based on information available at the time; actual results may differ significantly due to various risks or uncertainties that may occur in the future.

Reference figures



* Figures represent Nagase FY2011 earnings forecast plus Hayashibara Group FY2011 estimated results (full-year basis, after amortization of goodwill)

Financial Impact

Goodwill Amortization Period: 20 years

Return of Investment: 10 years or less

EBITDA: Trend at ¥7 billion or higher

Lower effective taxes due to loss carryforwards

Note) This forecast was based on information available at the time; actual results may differ significantly due to various risks or uncertainties that may occur in the future.

The Technology and Intelligence Oriented Company
that Turns Wisdom into Business

長瀬産業株式会社

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

These presentation materials contain forward-looking projections based on assumptions, forecasts, and plans as of November 21, 2011. Actual earnings may differ from projections due to risks and uncertainties in the future global economy, competitive landscape, currency exchange rates, etc.