Summary of Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2009

January 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.
Stock exchange listing: Tokyo, Osaka
Code number: 8012
http://www.nagase.co.jp
Representative: Hiroshi Nagase, Representative Director and President
Contact: Masanori Furukawa, Manager, Corporate Accounting Division Tel. 81-3-3665-3103

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

1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2009 (April 1, 2008 to December 31, 2008)

(1) Sales and Income

(Percentages represent change compared with the corresponding period of the previous fiscal year.)

	Net sales (¥ million)	Year-on-year change (%)	Operating income (¥ million)	Year-on-year change (%)	Ordinary income (¥ million)	Year-on-year change (%)
Nine months ended December 31, 2008	574,971	—	11,968	—	13,361	—
Nine months ended December 31, 2007	568,422	8.2	17,358	4.4	18,693	4.4

	Net income (¥ million)	Year-on-year change (%)	Earnings per share (¥)	Earnings per share (diluted) (¥)
Nine months ended December 31, 2008	6,018	—	46.81	46.81
Nine months ended December 31, 2007	3,595	(65.0)	27.98	27.92

(2) Financial Position

	Total assets (¥ million)	Net assets (¥ million)	Net worth ratio (%)	Net assets per share (¥)
As of December 31, 2008	414,317	199,058	46.1	1,487.02
As of March 31, 2008	419,869	208,377	47.8	1,559.97

(Reference) Net worth: As of December 31, 2008: ¥191,169 million; As of March 31, 2008: ¥200,554 million

2. Cash Dividends

	Dividends per share (¥)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Full year
Year ended March 31, 2008	—	0.00	—	17.00	17.00
Year ending March 31, 2009	—	8.00	—	——	——
Year ending March 31, 2009 (est.)	——	——	——	8.00	16.00

Note: Revisions to projected dividends during the quarter: No

3. Projected Consolidated Results for the Fiscal Year Ending March 31, 2009 (April 1, 2008 - March 31, 2009)

(Percentages represent change compared to the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥ million)	(%)	(¥)
Full year	710,000	(7.2)	11,500	(50.1)	13,000	(47.6)	6,000	(40.0)	46.67

Note: Revisions to projected consolidated results during the quarter: Yes

4. Other

(1) Changes in major subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Use of simplified accounting methods or special accounting methods for preparation of quarterly financial statements: Yes
See “4. Other” of “Qualitative Information and Financial Statements” on pages 4-5.

(3) Changes in accounting rules, procedures, presentation method, etc., for the quarterly Consolidated Financial Statements (changes in material items that form the basis for the preparation of the quarterly consolidated financial statements)
(a) Changes in consolidated accounting methods: Yes
(b) Changes other than (a) above: Yes
See “4. Other” of “Qualitative Information and Financial Statements” on pages 4-5.

(4) Number of shares issued and outstanding (common stock)
(a) Number of shares at the end of the period (including treasury stock)
Nine months ended December 31, 2008: 138,408,285 shares; Year ended March 31, 2008: 138,408,285 shares
(b) Number of treasury shares at the end of the period:
Nine months ended December 31, 2008: 9,849,237 shares; Year ended March 31, 2008: 9,844,934 shares
(c) Average number of shares outstanding (cumulative with earlier quarters):
Nine months ended December 31, 2008: 128,574,556 shares; Nine months ended December 31, 2007: 128,500,634 shares

Note: Cautionary Remarks Regarding Proper Use of Projected Results and Other Items

1. The projected consolidated results for the fiscal year ending March 31, 2009 have been revised from projections announced on October 30, 2008. The projected consolidated results for the fiscal year contained in this document are based on information currently available to the Company on the date of release. Due to various factors, actual results may differ materially from the forecast.
2. Effective from the three months ended June 30, 2008, the Company applies the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Operating Results

(1) Summary of Overall Performance

During the nine months ended December 31, 2008, the Japanese economy worsened, with an accelerating trend toward decreased production in the automobile, electronics and other industries that spread to corporate materials and facility-related purchasing. In the global economy, conditions have noticeably worsened in the United States and Europe due to the deepening financial crisis, and the degree of slowdown in Asia is strengthening. There are concerns that drastic changes in stock and currency markets may further depress the economy.

Under these conditions, despite a sudden drop in sales during the third quarter, Nagase maintained a slight overall increase in total net sales of 1.2 percent for the nine-month period compared with the same period of the previous fiscal year, as domestic sales decreased 0.6 percent to ¥319.70 billion and overseas sales increased 3.5 percent to ¥255.26 billion for total net sales of ¥574.97 billion.

Due to factors including an increase in manufacturing costs at manufacturing subsidiaries due to rising raw material prices and recording a loss on valuation of inventories, gross profit decreased 3.9 percent compared with the same period of the previous fiscal year to ¥57.53 billion yen. Moreover, selling, general and administrative expenses increased due to factors including amortization of actuarial gain in retirement benefit accounting. Consequently, operating income decreased 31.1 percent to ¥11.96 billion and ordinary income decreased 28.5 percent to ¥13.36 billion. Net income increased 67.4 percent to ¥6.01 billion due to a loss on valuation of investment securities of ¥1.91 billion recorded as an extraordinary loss. The main reason for the increase compared to the previous fiscal year was an extraordinary loss of ¥14.30 billion recorded in the same period of the previous fiscal year related to the voluntary recall of products.

(2) Segment Summary

[Chemicals] Sales: ¥204.11 billion, a 1.8 percent increase from the same period of the previous fiscal year

Overall sales increased slightly in the Chemicals segment. Sales expansion in the color and imaging business, which handles pigments, dyestuffs and other products related to color, was mainly overseas. However, sales remained flat in the performance chemicals business, which handles products such as raw materials for urethane, raw materials and additives for plastics, and raw materials for paint, and decreased in the speciality chemicals business, which handles a wide range of products including surfactants, industrial oil solutions and organic synthetic raw materials such as silicone and fluorochemicals.

[Plastics] Sales: ¥204.93 billion, a 1.7 percent increase from the same period of the previous fiscal year

Although overseas sales in the ASEAN and North American regions decreased, sales increased in the Greater China region including Hong Kong and Taiwan. However, sales in Japan for precision instruments and electronics applications decreased significantly and sales of Nagase-manufactured and other products for applications in building and packaging materials also decreased. Automotive related sales increased for the nine-month period despite a drop midway through the third quarter. As a result, overall sales in the Plastics segment increased slightly.

[Electronics] Sales: ¥121.02 billion, a 1.9 percent decrease from the same period of the previous fiscal year

Sales expanded in the display business, centered on a significant increase in sales of optical film and LCD components, despite a significant drop in the electronic equipment and LCD-related component processing business. However, sales decreased in the electronic chemicals business, which handles formulated epoxy resin and chemical supply and control equipment used in LCD and semiconductor front-end processing, and performance was weak in the information and functional materials business, which handles materials related to backend semiconductor processing. As a result, overall segment sales decreased slightly.

[Life Sciences] Sales: ¥ 43.70 billion, a 5.4 percent increase from the same period of the previous fiscal year

Although sales decreased slightly in the beauty care business, which handles cosmetics and health foods, overall segment sales increased due to growth in sales of diagnostic agents, reagents and other products in the fine chemicals business.

[Others] Sales: ¥1.20 billion, a 24.2 percent decrease from the same period of the previous fiscal year

Segment sales decreased significantly due to the voluntary recall of portable DVD players and other products and the suspension of sales that began in the previous fiscal year.

2. Qualitative Information on Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

Despite an increase in inventories due to a sharp drop in sales, and the purchase of property, plant and equipment and other factors, total assets decreased ¥5.55 billion from the end of the previous fiscal year to ¥414.31 billion, mainly due to a decrease in net unrealized holding gain on investment securities following a drop in share prices.

Despite a decrease in deferred tax liabilities, total liabilities increased ¥3.76 billion from the end of the previous fiscal year to ¥215.25 billion due to factors including an increase in notes and accounts payable because the last day of the third quarter was a holiday, and an increase in long-term debt.

Net assets decreased ¥9.31 billion from the end of the previous fiscal year to ¥199.05 billion despite recording net income, due to factors including net unrealized holding loss on securities and translation adjustments.

As a result, the net worth ratio decreased 1.7 percentage points to 46.1 percent from 47.8 percent at the end of the previous fiscal year.

(2) Cash Flows

Net cash provided by operating activities was ¥12.55 billion, mainly due to income before income taxes and minority interests, despite factors including income taxes paid.

Net cash used in investing activities was ¥9.77 billion, mainly as a result of expenditures for purchases of property and equipment.

Net cash provided by financing activities was ¥1.23 billion, due mainly to proceeds from long-term debt, despite the payment of dividends.

As a result, the balance of cash and cash equivalents at December 31, 2008 was ¥24.30 billion, an increase of ¥0.81 billion from the end of the previous fiscal year.

3. Qualitative Information on Projected Consolidated Results

The Company expects the increasingly severe operating environment to continue as the effect of the financial crisis triggered in the United States rapidly expands to affect the real global economy.

Under these conditions, demand is decreasing notably in the automobile and electronics industries, the end users of the Nagase Group’s major business partners, as the trend toward inventory and production adjustments continues and expands. As a result, projections for the fiscal year ending March 31, 2009 are for consolidated net sales of ¥710.0 billion (a 7.2 percent decrease from the previous fiscal year), operating income of ¥11.5 billion (a 50.1 percent decrease), ordinary income of ¥13.0 billion (a 47.6 percent decrease), and net income of ¥6.0 billion (a 40 percent decrease).

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

The Company uses special quarterly accounting methods to determine income tax payments, including calculations for some consolidated subsidiaries using the estimated annual effective tax rate based on the normal effective statutory tax rate.

(3) Changes in Consolidated Accounting Rules, Procedures, Presentation Method, etc. for the Quarterly Consolidated Financial Statements

(a) Effective from the three months ended June 30, 2008, the Company applies the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, issued March 14, 2007) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14, issued March 14, 2007). Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

(b) Effective from the three months ended June 30, 2008, the Company applies the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued July 5, 2006), changing from primarily using the cost or market method to the average method (method for reducing the carrying amount of inventories below book value due to decline in profitability) for the valuation of inventories held for normal sale. As a result, gross profit, operating income, ordinary income and income before income taxes and minority interests each decreased by ¥617 million.

(c) Effective from the three months ended June 30, 2008, the Company applies the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, issued May 17, 2006) and carries out necessary consolidated financial adjustments. There is no effect on income from these changes.

(d) Previously, finance lease transactions without title transfer were accounted for as operating leases. However, companies are able to apply "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued June 17, 1993 (First Committee of Business Accounting Council), revised March 30, 2007) and its Implementation Guidance, "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 (issued January 18, 1994 (Japanese Institute of Certified Public Accountants), revised March 30, 2007) on quarterly financial statements of fiscal years beginning on or after April 1, 2008. Accordingly, the Company has applied the revised accounting standard from the three months ended June 30, 2008. The revised accounting standard requires that all finance lease transactions be capitalized.

In addition, leased assets related to finance lease transactions without title transfer are depreciated on a straight-line basis, with the lease periods as their useful lives and no residual value.

The Company will continue to account for finance lease transactions without title transfer where the lease transaction started before the first year of application as operating leases.

There is no effect on income from these changes.