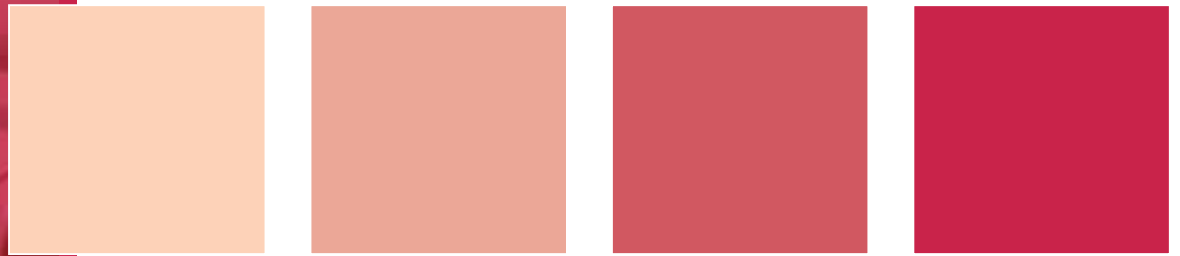


A n n u a l R e p o r t

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A TECHNOLOGY AND INTELLIGENCE
ORIENTED COMPANY THAT TURNS
WISDOM INTO BUSINESS

NAGASE

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Profile

The Nagase Group provides its customers with trading, marketing, R&D, manufacturing and processing functions in four key business areas: Chemicals, Plastics, Electronics and Health Care.

Nagase & Co., Ltd., the nucleus of our group, was established as a dyestuffs wholesaler in Kyoto in 1832. In 1900, it started importing synthetic dyestuffs from Chemical Industry of Basel. In the ensuing years, it has opened up new markets worldwide together with its customers and accumulated considerable know-how in its role as “a technology and intelligence oriented trading company.” At the same time, it has enhanced its capabilities in new product R&D, manufacturing and processing.

Today, the Nagase Group comprises more than 100 companies in Japan and overseas. The Group is building a new business model that organically combines the trading, marketing, R&D, manufacturing and processing functions of these companies to provide a high-level response to customer needs. In doing so, we aim to offer new proposals as “a technology and intelligence oriented company that turns wisdom into business.” Looking ahead, along with its customers worldwide, the Nagase Group will seize business opportunities to continue to develop and grow.

Notes on Financial Data and Graphs

- All yen amounts presented in this annual report have been truncated after the second decimal point in the case of billions of yen and yen amounts, and after the lowest whole number in the case of millions of yen amounts. Percentages are rounded to the nearest decimal point.
- U.S. dollar amounts are converted from full yen amounts at the rate of ¥107.69=U.S.\$1. In the case of thousand dollar amounts, portions less than one thousand dollars have been truncated.
- Years in graphs represent fiscal years ended March 31.

A Cautionary Note on Forward-looking Statements

This annual report contains statements regarding Nagase's corporate views of future developments that are forward-looking in nature and are not simply reiterations of historical facts.

These statements are presented to inform shareholders of the views of Nagase's management but should not be relied on solely in making investment and other decisions. You should be aware that a number of important risk factors could lead to outcomes that differ materially from those presented in such forward-looking statements.

These include, but are not limited to, (i) change in economic conditions that may lead to unforeseen developments in markets for products handled by Nagase, (ii) fluctuations in currency exchange rates that may cause unexpected deterioration in the value of transactions, (iii) adverse political developments that may create unavoidable delays or postponement of transactions and projects, (iv) changes in laws, regulations, or policies in any of the countries where Nagase conducts its operations that may affect Nagase's ability to fulfill its commitments, and (v) significant changes in the competitive environment.

In the course of its operations, Nagase adopts measures to control these and other types of risks, but this does not constitute a guarantee that such measures will be effective.

Financial Highlights

Nagase & Co., Ltd. and Consolidated Subsidiaries
(Years ended March 31)

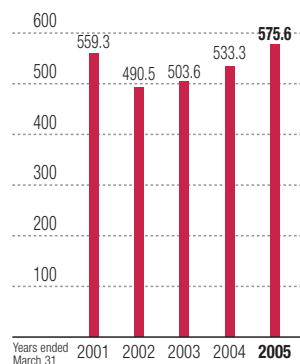
	Millions of Yen			Change	Thousands of U.S. Dollars (Note)
	2005	2004	2003	2005/2004	2005
For the Year:					
Net Sales.....	¥575,636	¥ 533,301	¥ 503,688	7.9%	\$5,360,240
Chemicals.....	251,725	231,360	223,656	8.8	2,344,034
Plastics.....	188,456	170,996	165,810	10.2	1,754,879
Electronics.....	122,632	118,978	99,759	3.1	1,141,932
Health Care.....	12,821	11,966	14,461	7.2	119,394
Gross Profit.....	61,960	53,494	51,899	15.8	576,971
Operating Income.....	13,256	10,244	8,433	29.4	123,440
Net Income (Loss).....	10,384	7,010	4,186	48.1	96,694
At the Year-end:					
Total Assets.....	¥335,290	¥ 310,793	¥ 284,800	7.9%	\$3,122,175
Shareholders' Equity.....	167,092	156,210	140,944	7.0	1,555,943

	Millions of Yen			Change	U.S. Dollars
	2005	2004	2003	2005/2004	2005
Per Share Data:					
Net Income.....	¥ 81.00	¥ 54.69	¥ 31.72	48.1%	\$ 0.75
Shareholders' Equity.....	1,311.37	1,227.82	1,107.54	6.8	12.21
Cash Dividends.....	10.00	9.00	8.00	11.1	0.09

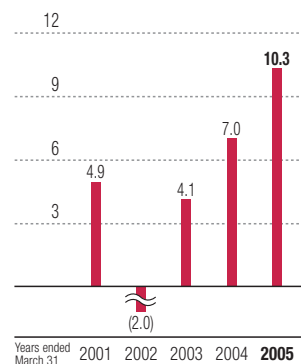
	%			Change
	2005	2004	2003	2005/2004
Ratios:				
Shareholders' Equity Ratio.....	49.8	50.3	49.5	(0.5) points
Ratio of Operating Income to Net Sales.....	2.3	1.9	1.7	0.4
Return on Equity (ROE).....	6.4	4.7	2.9	1.7
Return on Assets (ROA).....	3.2	2.4	1.4	0.8

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.69=U.S.\$1, the approximate Tokyo exchange market rate as of March 31, 2005.

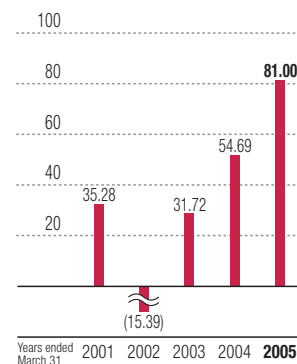
Net Sales
(¥ Billion)



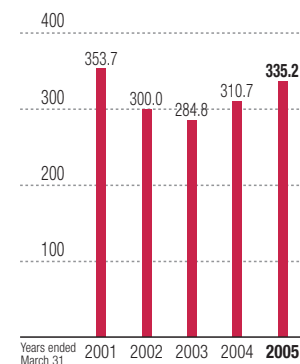
Net Income (Loss)
(¥ Billion)



Net Income (Loss) per Share
(¥)



Total Assets
(¥ Billion)



Nagase at a Glance



Management Philosophy

The Nagase Group is a member of the 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 needed while improving the welfare of our employees.

Management Vision

“A technology and intelligence oriented company that turns wisdom into business.”

Nagase has adopted “A technology and intelligence oriented company that turns wisdom into business” as its management vision for the 21st century. Rooted in a thoroughgoing customer-oriented approach that insists “the market provides all the answers,” this vision expresses our determination to exploit our technology, information and wisdom, enhanced by experience, to create businesses that go beyond the intermediary role of the trading company. Customer demands are becoming more diverse, more complex and more sophisticated. The straightforward intermediary business approach is no longer enough to satisfy these demands. At the same time, we are aware that regardless of the industry, the era in which a single company can meet all market needs alone is long gone. To help customers create new value, therefore, we will continue to propose and develop new businesses while strengthening our role as a reliable business partner.

Long-term Vision

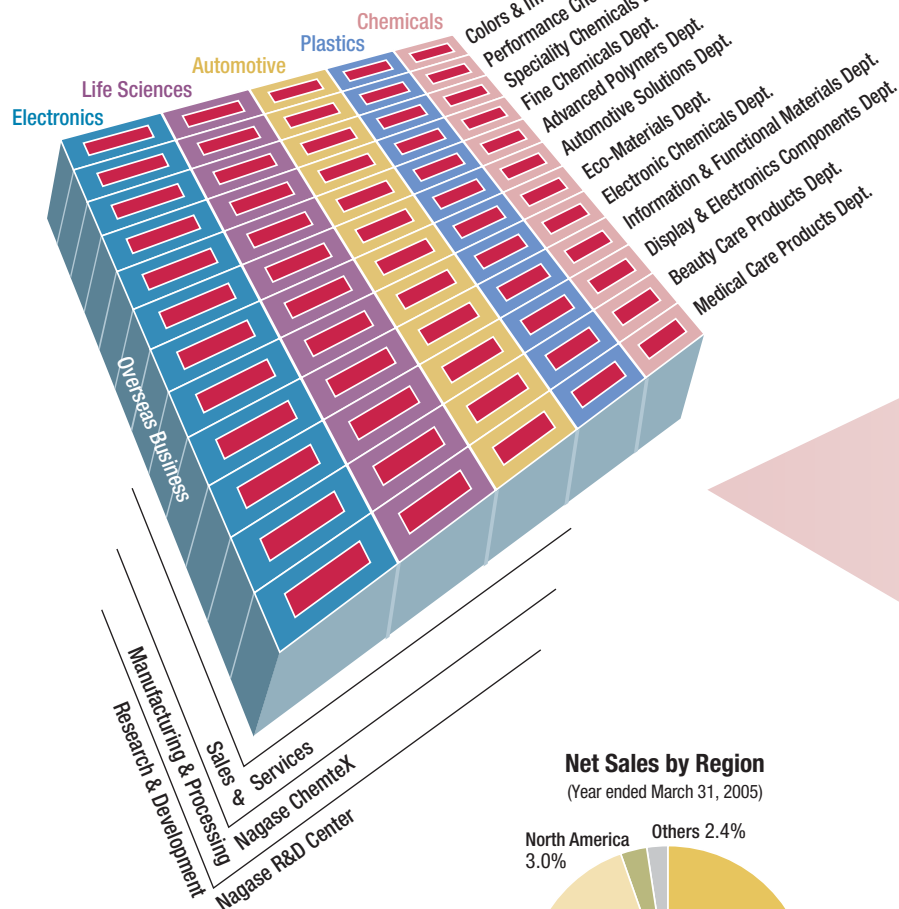
From our base in chemicals, we will provide new functions and services on a global scale and continue to create new high-value-added businesses that solve customer issues.

By doing so, we aim to achieve consolidated operating income of ¥20 billion, a gross profit margin of 15 percent and revenues higher than cost of capital in the year ending March 2013.

“The Nagase Way” Action Principles

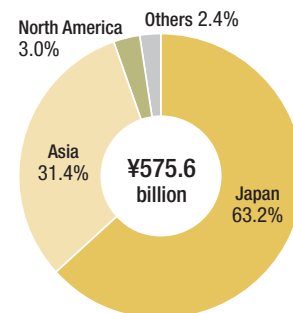
- 1 Always be customer-oriented.
- 2 Always be a creative challenger.
- 3 Always use the power of the Nagase Group.
- 4 Always think globally and act locally.
- 5 Always think systematically and act speedily.

Comprehensive Strengths of the Nagase Group



Net Sales by Region

(Year ended March 31, 2005)



Nagase's Strengths

- Relationships developed over many years with more than 6,000 excellent companies
- Group manufacturing, research, development and marketing functions to provide superior products and services
- The ability to create and propose business models that go beyond being just an intermediary to maintain leadership
- Innovative technological and information-gathering capabilities based in the field of chemicals
- Solid finances

Departments	Customer Segments	Main Products and Services	
Colors & Imaging Department	Textile processing (clothing, other fabrics, car interiors), plastic coloring, synthetic fiber, paint and ink, pigment dispersion, printing, inkjet toner, thermal paper, photoactive chemicals, flat panel displays, information recording paper	Dyestuffs, dyeing auxiliaries, finishing agents, textile-processing resins, adhesives for textiles, pigments, pigment dispersing agents, resin additives, UV cured resins, toner resins, silicones, dyes and related chemicals for imaging and recording, chemicals for paper manufacturing, additives for paints and inks	<p>Chemicals</p> <p>Net Sales 43.7% Operating Income 40.4%</p>
Performance Chemicals Department	Paint and ink, resins, synthetic fiber, urethane foam, flame retardants, FRP, plasticizers, film	Plastic materials, plastics and pigments, solvents, additives for paints and inks, urethane materials, flame retardants, plastic additives, plasticizers, polymer filters	
Speciality Chemicals Department	Organic synthesis, surfactants	Petrochemical products, raw materials for household products, cosmetics, surfactants, fluorochemicals, materials for silicones, electronics chemicals development	
Fine Chemicals Department	Pharmaceuticals, food/feed chemicals, agricultural chemicals, household products	Pharmaceuticals (APIs, IND substances, intermediates, raw materials, formulations, excipients), diagnostics (bulks, intermediates, instruments & kits), laboratory and research products, agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (bulks, formulations), animal health products, enzymes, fermentation products, toiletries (raw materials, products), functional food ingredients, health food materials, food additives, nutritional supplements, feed, feed additives	
Advanced Polymers Department	Electrical, electronics, office automation equipment, consumer electronics, packaging materials	General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dies, software engineering	<p>Plastics</p> <p>Net Sales 32.3% Operating Income 32.8%</p>
Automotive Solutions Department	Automotive	General-purpose resins, functional resins, auxiliaries, plastic products, plastic-related equipment, devices and dies, software engineering, facility equipment	
Eco-Materials Department	Construction, building materials, housing	Building materials, housing equipment, plastic materials, construction services	<p>Electronics</p> <p>Net Sales 21.3% Operating Income 20.1%</p>
Electronic Chemicals Department	Semiconductors, liquid crystal, electronics components	Semiconductor manufacturing equipment, chemical management systems, chemicals for the production of semiconductors and liquid crystal, epoxy resin-related products, electroless plating systems	
Information & Functional Materials Department	Semiconductors, liquid crystal, communications, imaging	Semiconductor packaging materials, semiconductor packaging systems, insulating materials, fluoroplastic-related materials, precision abrasive materials, wireless communication modules and systems, communications-related integrated circuit chips, surface defect inspection systems	
Display & Electronics Components Department	Displays, computer monitors, television assemblies	Liquid crystal displays (LCDs), materials, manufacturing devices and optical films for LCDs and organic light-emitting diodes (LEDs), processed aluminum products, processed glass products	<p>Health Care</p> <p>Net Sales 2.2% Operating Income 4.7%</p>
Beauty Care Products Department	General consumer market	Cosmetics, health foods, beauty foods	
Medical Care Products Department	Medical institutions, clinical testing centers, universities, laboratories	Microbiological test devices and reagents, clinical diagnostic systems, infectious disease control systems, patient identification wristbands, radiation measurement-related products and systems, electronic medical record systems	

Net sales and operations income of the Health Care segment include Other businesses.

Message from the Management



Hiroshi Nagase President

Hideo Nagase Chairman

In the second year of the Medium-term Management Plan WIT21, Nagase & Co., Ltd. took aggressive initiatives to expand its business. Supported by a favorable market environment, Nagase achieved record sales and profits for the third consecutive fiscal year, and also reached the numerical targets of WIT21 a year earlier than planned. From its base in chemicals, Nagase has become a technology and intelligence oriented company that turns wisdom into business with a broad portfolio of business activities consisting of R&D and manufacturing. Nagase will continue to devote efforts to creating high-value-added businesses and to grow and develop with its stakeholders.

Results for the Fiscal Year Ended March 31, 2005

Expanding exports that reflected good economic conditions worldwide, combined with solid domestic demand, supported generally positive conditions in the Japanese economy in fiscal 2004, the year ended March 31, 2005, despite signs of a slowdown in some sectors during the second half. In the materials market, prices increased due to a rise in crude oil prices, but prices for LCD-related components decreased, reflecting concerns about excess supply.

In these market conditions, the entire Nagase Group worked to improve sales and earnings. As a result, domestic sales increased 4.0 percent and overseas sales expanded 15.3 percent year-on-year. Consolidated net sales increased 7.9 percent to ¥575.63 billion.

Reflecting the increase in net sales, operating income increased 29.4 percent to ¥13.25 billion. Net income rose 48.1 percent to ¥10.38 billion as negative factors such as decreased equity in earnings of affiliates were more than offset by gains on sales of investments in securities and property, plant and equipment. Net income per share increased strongly to ¥81.00 from ¥54.69 in the previous fiscal year.

While following the Company's long-standing policy of paying stable dividends, in light of the strong performance for the fiscal year and in response to the support of our shareholders, we increased the ordinary dividend to ¥10.00 per share from ¥9.00 per share (ordinary dividend of ¥8.00 and commemorative dividend of ¥1.00) in the previous fiscal year.

Moving toward Achievement of WIT21 Objectives with Quality and Quantity

As stated earlier, we achieved the numerical targets of WIT21 in the plan's second year. Therefore, we have revised the targets upward for the current fiscal year, the final year of the plan.

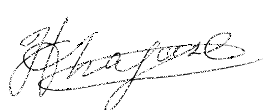
Nevertheless, we have not yet reached a satisfactory level of achievement in our strategic objective of deepening and expanding our presence in key strategic business areas by transforming into a true business solutions-oriented company. Therefore, we will work even harder to advance the organizational structure we established in April 2004 to strengthen collaboration based on a consensus of our major strategic business areas. By doing so, we aim to achieve the objectives of WIT21 by including qualitative as well as numerical targets. In addition, we will also focus on creating new targets for the post-WIT21 period, which will start in the next fiscal year.

Increasing Shareholder Value

Since its establishment, Nagase has followed a management philosophy of carrying out good and fair business practices. In other words, Nagase's first priority is to meeting its responsibility to shareholders, customers, business partners, employees, society and all stakeholders by expanding its profits and continuing to grow through honest, transparent management.

By achieving the objectives of WIT21 and setting ambitious new targets, we will work to increase Nagase's corporate value and further raise shareholder value. We are counting on your continued guidance and support in these efforts.

July 2005



Hideo Nagase
Chairman



Hiroshi Nagase
President



Interview with the President

President Hiroshi Nagase discusses the strengths of the Nagase Group, which achieved the targets of WIT21 ahead of schedule, and the Group's new targets and future growth strategy.

Nagase posted solid results in the second year of WIT21, and reached the numerical targets of WIT21 a year ahead of schedule. What were the factors behind this strong performance?

In our general distribution business, which has grown into our core function as a trading company, major commercial rights were terminated with the expiration of our contract with General Electric Company in 2004. So I am delighted that our strong performance reflects the success of our efforts over the last several years to focus employees' energies on creating new businesses through collaboration among internal divisions and Group companies.

In addition, we had a favorable business environment. A major factor was that conditions were positive in three of the strategic business areas of WIT21 — electronics, automotive and overseas markets, primarily China. Demand increased substantially in the Chinese market, which the Nagase Group has focused on during the last several years, and this contributed to higher demand from domestic customers as well. The key reason we achieved the WIT21 numerical targets ahead of schedule is that the rebound in the economy was much more robust than we had assumed when we drew up the plan three years ago, and demand increased in each of our markets.

Medium-term Management Plan WIT21 Goals and Progress (Fiscal 2003-Fiscal 2005)

	Fiscal 2003 (Actual)	Fiscal 2004 (Actual)	Fiscal 2005 (Original Targets)	Fiscal 2005 (Projected)
Net Sales	¥533.3 billion	¥575.6 billion	¥550.0 billion	¥600.0 billion
Domestic	¥349.5 billion	¥363.7 billion	¥330.0 billion	¥370.0 billion
Overseas	¥183.7 billion	¥211.9 billion	¥220.0 billion	¥230.0 billion
Operating Income	¥10.2 billion	¥13.2 billion	¥11.0 billion	¥16.1 billion



The basic strategies of WIT21 are to (1) set the company apart from competitors by creating a wholly customer-oriented business, (2) nurture and strengthen market-leading businesses, and (3) make use of the Group's resources and distinctive identity to create new businesses. What progress has Nagase made in implementing these strategies?

Until now, our organizational structure and ways of working have been built around the distribution business. Fortunately, this business was based on distribution rights with major companies such as Ciba-Geigy Limited, Union Carbide and Carbon Corp. and General Electric Company, and thus was able to grow. However, these distribution contracts have been ending. Therefore, over the last several years we have been shifting our customer orientation toward an emphasis on proactively proposing solutions to customer needs.

As Nagase is a company with expertise in chemicals, we are basing internal collaboration on our strengths in the chemical industry and technology, which is also leading to the creation of new businesses in other industries. In the fast-growing automotive field, for example, we are broadening our business focus, which has been centered on the Plastics business division, to include collaboration with the Chemicals business division in areas such as urethane. From the customer's standpoint, Nagase does more than just supply materials; we are able to combine our diverse functions to provide comprehensive strengths not limited to a single division. Our customers are increasingly valuing that approach. Similarly, we are promoting collaboration as a Group, and we are broadening our business by taking advantage of the presence of our affiliated companies, particularly our manufacturing companies and the Nagase R&D Center, which are unique advantages of the Nagase Group. One business has developed to a profitable level on a scale of ¥1.5 to ¥1.6 billion with a staff of 50 people. Examples such as this are evidence that we are making steady progress. However, we have still had cases in which we acted as if our customers were in the chemicals sector, when in fact a large part of their business was in electronics. So a key task will be improving the depth and speed of our understanding of customer needs.

Progress in Strategies of Medium-term Management Plan WIT21



What progress has the Group made in its strategic business areas of electronics, life sciences, automotive and overseas operations?

In electronics, we are making steady progress in areas such as semiconductor and LCD optical film and LCD modules. We are expanding in the semiconductor market in particular, with a focus on the products of Nagase ChemteX Corp., the largest manufacturer in the Nagase Group. However, because we are concentrating on those two areas, we believe there is still ample room for further development. We expect to make various developments in the electronics business, which will also extend to the automotive field. We also have a regional bias, and in my view, we have not yet taken sufficient steps toward our optimal structure.

In the life sciences sector, which remains a major challenge, last year we adopted a management system in the fine chemicals business that fosters a sense of unity from a consolidated perspective. We strengthened collaboration between Nagase ChemteX Corp. and Nagase's sales divisions, and are also considering collaboration in business strategies and policies. Although the operating environment for pharmaceuticals and other industries is challenging, we will build on these activities to grow with a focus on high-value-added products and businesses that take advantage of our proprietary technologies. The beauty care and medical related businesses are also poised for expansion now that business restructuring and other measures have clarified the future direction of these businesses.

In the automotive sector, we have built good relationships with customers by selling raw materials for plastics and molding equipment to automobile components manufacturers. Based on these relationships, we are expanding our business domain into areas such as integration of the component design business with the molding business, and purchasing and distribution of raw materials and components on behalf of customers at overseas bases. We plan to continue building a structure that enables us to respond to automobile manufacturers' global manufacturing operations and to propose original solutions. In China, in addition to the sales activities of our subsidiaries in Tianjin, Shanghai, Guangzhou and other cities, we will enhance mold production capabilities at Nagase Plastics Design and Die (Tianjin) Co., Ltd., which was established in 2004 and is beginning full-scale operations. In addition, Guangzhou Nagase Trading Ltd. will open a representative office in the interior city of Wuhan, a future strategic region, and study business possibilities there.

We will also reinforce the functions of our well-established molding and raw material and product businesses in North America and Europe. In Southeast Asia, besides expanding business in Thailand, we are starting up a business to assemble components in Indonesia, which will be supplied to customers in Europe and other regions.

Nagase Group's Network in Greater China



In fiscal 2004, you continued to carry out the reorganization process begun in the previous year. Please describe the purpose and benefits of this organizational reform and give us your evaluation of the reorganization implemented last year.

One of the benefits of the changes we made to our organization in 2004 is that our executive officers have also changed the way they look at things. We now judge management completely from the standpoint of the consolidated Group. We are now realizing collaboration and synergy throughout the Group by viewing and discussing how to make business investments or conduct business operations in terms of the consolidated balance sheet. In our regional strategies, the biggest benefit is that we are able to discuss how to move forward from the standpoint of optimizing the Nagase Group as a whole.

As for the organizational reforms we made in April 2005, given the early achievement of the WIT21 targets, we decided to create a future-oriented organization to facilitate a smooth transition from WIT21 to the next medium-term management plan, which we are now preparing. Actually, rather than reform, it would be more accurate to say that we have evolved our organization based on the benefits I mentioned earlier.

A key point was clarifying the role of directors and the responsibilities and roles of department managers so that they can maximize the strategic value of each business and project and conduct more agile business management.

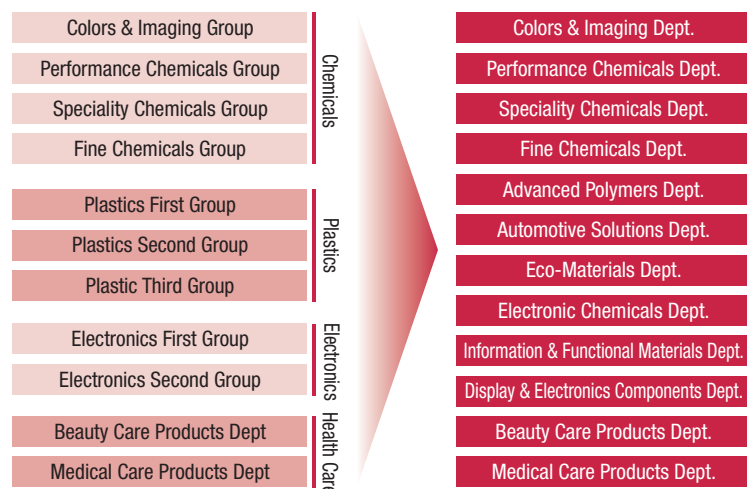
As a concrete example, directors were previously responsible for departments and business headquarters, but under the new organization, they no longer have these responsibilities. They are now in charge of managing our strategic business areas, and promoting business across the organization. Directors will be in charge of company-wide and strategic functions, specifically industry strategy and extraordinary matters. In addition, we created the Sales Strategy Committee, made up of directors in charge of sales, to support me in creating business strategies from a company-wide perspective so that investment decisions and management decisions on risk management and other matters can be promptly implemented. Until now, I and the managers in charge of the relevant departments have been essentially responsible for examining and making decisions on investments. Now we have adopted a process in which the four directors in charge of the Company as a whole conduct critical discussions during the decision-making process. This environment will greatly facilitate the consideration of matters

such as future mergers and acquisitions. These four directors will make decisions based on their understanding of businesses other than the ones they have been in charge of for many years, so we can also expect a synergistic effect to emerge.

The essential functions of directors will become vitally important. Their functions are also critical for corporate management and devising business strategies, so I believe that adopting a management format that separates directors and execution is crucial.

Another point is that marketing activities, which previously were dispersed among business departments, are now positioned at a

**New organization (Shift from products to markets/customers)
(As of April 2005)**



company-wide level. We have launched the Corporate Marketing Office to promote further development initiatives and create new business opportunities. This unit is also responsible for business incubation and exploration of new themes, which are difficult for business departments to handle. Regarding sales divisions, we reorganized the Plastics business and the Electronics business into 12 departments, one office and one branch to create a flatter organization. We expect this to heighten the strategic value of each business and to enable more agile business management.

What are your policies for the final year of WIT21?

As I mentioned before in regard to our business development, we will continue to implement the strategies we have followed up to now, but with a greater sense of urgency. We will further promote awareness of our new business approach of proposing solutions rather than simply acting as an intermediary. In addition, I feel that there has been some decline in our business and sales consciousness throughout the organization as a whole, so I want to strengthen basic education on sales and Nagase's style of business development and execution.

I also want to reinforce Nagase's technology capabilities. I want Nagase staff to work together with technology and sales representatives of our customers, primarily in the chemicals business, to obtain greater understanding of customers' technologies and products. They should then use that understanding to propose more effective business solutions. However, we cannot deny that we still have a tendency to focus only on selling products. We also need to raise the Group's awareness of and approach toward using technology to come up with new ideas, and to uncover and acquire outstanding technologies from outside the company. Although we have commercialized the Nagase R&D Center's chiral technology, I strongly feel the necessity to expand it as a business. Another important theme is increasing our technological capabilities and the number of engineers, and we intend to address this issue in the next medium-term management plan.

To improve concrete systems for strengthening technology, we will consider shifting from a uniform personnel system to multiple personnel systems. This will include introducing a system that enables the technology owned by researchers and other employees with a high level of knowledge to be further developed and passed on within the company, and a system for qualifying researchers and others as "fellows" and "meisters" who can be rewarded, even if they do not necessarily become managers.

What are your views on Corporate Social Responsibility (CSR), including enhancing corporate governance?

Last year we adopted a system of outside directors, which has brought a healthy sense of critical appraisal to our management team because they are compared to the boards of directors of other companies. Information and materials on reporting and decision-making matters are fully prepared prior to board of directors meetings so that outside directors understand Nagase and can offer opinions and proposals and invigorate discussion. In the current fiscal year, we have brought in another outside director. We expect this to further energize board meetings and raise management transparency and objectivity.

As for CSR, I stated in last year's annual report that Nagase's social responsibility is to follow good and fair business practices. Our policy is to meet our responsibility to shareholders, customers and all stakeholders by expanding our profits and continuing to grow through honest, transparent management. That has not changed. I do think we need to improve our

communication with society to increase awareness of our CSR policies and activities.

I am also thinking about how to raise our corporate brand value. Nagase is a highly trustworthy company based in the chemicals business, and our contribution to society through chemicals is well known among customers, employees, shareholders and other stakeholders. However, I want to expand recognition of the Nagase brand among society at large, including the general public. We will consider making investments to enhance our corporate brand, including making effective use of advertising.

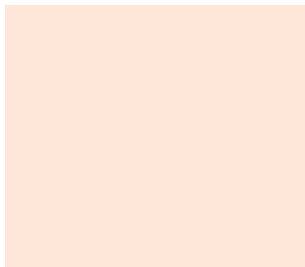
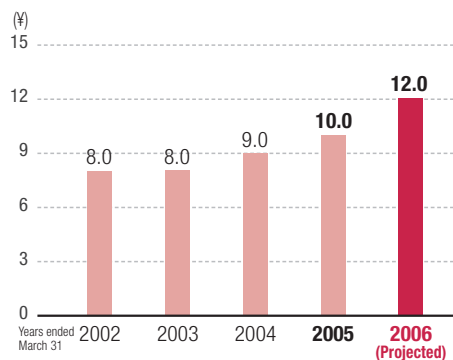
In the past fiscal year, Nagase took steps to enhance shareholder returns, including introducing a shareholder benefit program. What policies do you have for increasing shareholder value in the future?

Our first priority is business investment. As a unique corporate Group based on chemicals, Nagase invests in its businesses, which generates financial results, and the growth of the company increases shareholder value. This process is connected to increasing corporate value in the long term. The growth of the Company resulting from business investment based on Nagase's unique features also serves as a defense against hostile takeovers.

Based on this policy, we will increase returns in proportion to results. In fact, we have increased the dividend in each of the last two years, when results have been good. While we will continue seeking to maintain a good balance between business investment and shareholder returns, shareholders recently have been asking for a more concrete return policy. Therefore, we will consider specific targets for the dividend payout ratio at the next board of directors meeting.

Nagase is steadily strengthening its management capabilities. On that basis, we will continue working to create new businesses and increase Nagase's corporate value. I would like to thank our shareholders and investors for their ongoing support.

Cash Dividends per Share



ELECTRONICS



Kazuo Nagashima

Director and Executive Officer
Electronics Businesses;
Electronic Chemicals Department;
Display & Electronics Components Department;
Medical Care Products Department

Steady Strategic Advance

Electronics, one of the four strategic areas of WIT21, was a major focus of efforts in the year ended March 2005. As a result, our businesses have taken clearer shape both in Japan and overseas.

Nagase's electronics businesses do not handle electronic components per se. Rather, we have developed our businesses based on chemicals. We provide such products as chemicals for semiconductor and liquid crystal production and precision abrasives for the electronic components industry. In fiscal 2004, we focused on creating and expanding new businesses that incorporate manufacturing functions in addition to offering the services of a trading company. As a result, we enhanced relationships with traditional business partners and expanded into new business areas including optical films for LCDs and liquid crystal modules. In addition, we expanded our materials processing business and undertook other activities toward increasing added value.

In China, where we are focusing particular effort on business development, operations at Nagase International Electronics Ltd. are right on track. This company, established in 2004, is in charge of production and hiring at our manufacturing bases in the South China region, and is responsible for maximizing efficiency. The number of products manufactured by Nagase International Electronics for direct sale in Greater China (mainland China, Hong Kong and Taiwan) is increasing, and a self-sustaining business structure is emerging. Sales of formulated epoxy resins in China are also expanding favorably. Nagase ChemteX (Wuxi) Corp., which commenced commercial operations in 2003, is working to acquire top share in the Chinese market for formulated epoxy resins through yearly capacity enhancements.

Future Strategies

We anticipate continuing growth in the information technology fields that form the core of the electronics business: displays, semiconductors, storage devices, imaging and communications technologies. Worldwide sales of LCDs in particular are expected to reach the ¥10 trillion level by 2010, double the current figure. The mission of our electronics businesses is to create an operating structure that enables sustainable growth amid an industry characterized by widely fluctuating demand.

In fiscal 2005, the third and final year of WIT21, we will focus on implementing our action plans and use the results achieved during the three-year period as a stepping stone toward setting new goals for our next medium-term management plan.

Nagase's customers are top-class corporations with advanced technological and development capabilities. Through interaction and networking with customers in the process of providing them with products, we are evolving our own original business model in response to immediate issues that they bring to our attention. In addition to expanding core trading company functions, we are working to increase our competitive edge in the epoxy, electrical machinery and other businesses by anticipating the needs of our customers in such ways as providing manufacturing capabilities and developing a distribution system that includes pre-delivery quality assurance.

Looking ahead, we will continue to work to instill a consolidated management approach on a global scale by enhancing mutual cooperation among our operations in Japan and around the world. My most important role in this process is to gather precise, useful information and integrate our businesses by putting the strengths of the Nagase Group to work. I will work to achieve this by establishing an employee evaluation system that takes note of contributions outside of designated areas of responsibility, and by vigorously promoting an "on-site" mindset among employees that encourages them to find solutions through working with customers at the front lines.

Nagase's Strengths

- Highly qualified salespeople who can communicate with customers on a common technical level
- In-house manufacturing capabilities that create high-value-added businesses
- The network of a global trading company

LIFE SCIENCES



Yoshizo Shibata

Director and Managing Executive Officer

Plastics Businesses;
Life Sciences Businesses;
Fine Chemicals Department;
Beauty Care Products Department;
Advanced Polymers Department;
Eco-Materials Department;
Business Administrative Office;
New Business Development Office;
Corporate Marketing Office

Rethinking strategy: Identifying Nagase's competitive edge and developing new businesses

Nagase's life sciences business is wide-ranging. Focused on pharmaceutical and agricultural chemical intermediates, APIs and formulations, and enzymes and fermentation products, it covers everything from reagents and diagnostic systems for medical institutions to the sale of cosmetics and health food. Of Nagase's four strategic areas, the life sciences business is most strongly affiliated with manufacturing.

For more than forty years, we have invested in R&D and production facilities for contract manufacturing of APIs and intermediates, the core of our life sciences business. Unable to break free from a trading company mindset, we were late in developing core in-house technologies. Over the past year, we studied Nagase's strengths and weaknesses as a companywide issue and concentrated on fortifying weak areas and building strategies based on core technologies. Focusing on the integration of biotechnology and organic synthesis technologies, we worked in close cooperation with Nagase Chemtex Corp. to enhance relationships with pharmaceutical manufacturers, make efficient use of existing facilities and respond quickly to inquiries.

In the enzymes and fermentation products businesses, which has long been said to be lagging in technological development, we introduced new technologies that enable mass-production of proteins using actinomycetes and commenced product development. We expect continuing expansion in the field of enzyme applications to increase opportunities to apply technologies we have developed over many years.

In the area of medical diagnostics, we took steps toward restructuring by trimming unprofitable businesses and simplifying the organizational structure. The door-to-door cosmetics and health food business once again introduced unique products developed in-house. We are making concentrated efforts to revitalize our sales network to offset the prolonged decline in door-to-door sales, but results are as yet unsatisfactory.

Future Strategies

What sort of life sciences business best suits Nagase's vision beyond WIT21? In fiscal 2005, we will work to find an answer to this question and formulate technological strategies, capital investment plans, human resource development plans and marketing strategies.

Pharmaceutical companies outsource production of pharmaceutical intermediates to spread risk. In other words, companies such as Nagase that manufacture pharmaceuticals on a contract basis assume some of that risk. If the side effects of a pharmaceutical produced under contract are major, production will likely be halted. This has in fact happened to Nagase a number of times over the past several years. To deal with this situation, our contract manufacturing business will take steps to minimize Nagase's risk and invest in specialized facilities where core technologies can be utilized as well as multi-purpose facilities. Contract manufacturing of general-purpose formulations has taken over from APIs and is becoming an increasingly important business. Competitors are fewer in this area because we focus on injectable drugs and liquid medications, and pharmaceutical companies are more inclined to outsource manufacturing.

Our own enzyme and fermentation products account for one-quarter of Nagase's food product sales. We will continue our focus on high-value-added products and niche areas while analyzing the competitiveness of the Company's enzyme production technologies and the future potential of our products.

In the door-to-door sales business, the number of sales staff and sales per employee are in decline. We will increase the number of sales staff and work to revitalize the organization. Unity of purpose is vital in this business, from top management right down to individual salespeople, so we will work to ensure a thorough understanding of our business concept and philosophy.

Looking ahead, we intend to maintain a strict focus on developing high-value-added products that incorporate our original technologies. We will work to increase technology-based revenue and income in ways such as applying production technologies for unnatural amino acids and microbial agents to beautifying the household environment, promoting our rosemary extract brand strategy and expanding the range of formulations for cosmetics and foods containing rosemary extract, and incorporating fermentation products in health foods to respond to increasing consumer health consciousness.

Nagase's Strengths

- Broad network of contacts with customers, suppliers, universities and research institutions
- Nagase R&D Center, with R&D capabilities in niche areas, and Group manufacturing companies
- Employees with a wide range of technical knowledge working both in Japan and overseas

AUTOMOTIVE



Reiji Nagase

Director and Managing Executive Officer

Automotive Related Businesses;
Performance Chemicals Department;
Automotive Solutions Department;
Nagoya Branch Office

Steady Strategic Advance

Automotive businesses expanded steadily with the application of intelligence and technology to creating new businesses, one of the basic strategies under WIT21.

The main focus of Nagase's automotive businesses is the sale of raw materials for plastics and molding equipment to manufacturers of automotive interiors and exteriors. Based on long relationships with a large number of valuable customers, we have been implementing measures toward the creation of new business models. An automobile contains several hundred thousand components, so our customer base is very wide-ranging. Moreover, each of those components must meet stringent quality and safety standards. For this reason, the automotive field is especially challenging.

As automakers expand their operations overseas, many midsize and small components manufacturers come to Nagase for assistance because it is difficult for them to establish overseas businesses on their own. As the structures and mechanisms of our new business models evolve, we are increasingly meeting such needs. We currently offer comprehensive services including integrating component design and mold production and acting as a purchasing and distribution agent to provide customers' overseas bases with raw materials and components.

Operations are becoming more effective and efficient through increased cooperation with plastics and chemical departments in accessing customers rather than working through separate channels. In the automotive interior components business in China, for example, we are developing a framework that will broaden our range of services to cover non-Japanese as well as Japanese manufacturers. Co-investment in Chinese and Taiwanese partners and other collaborative activities will enable us to supply both non-Japanese and Japanese manufacturers with raw materials for interior components such as door and roof interiors as well as urethane and other chemical-related materials, in addition to supplying Japanese manufacturers with raw materials for plastics, plastic products and urethane.

We have increased the number of overseas bases in Guangzhou, Tianjin and Shanghai and other regions to 27 through aggressive expansion of sales bases. In the future, we plan to establish a representative office of Guangzhou Nagase Trading Ltd. in Wuhan, an inland city of China, and explore the business possibilities in that region.

Our component design and molding businesses commenced operations in North America 16 years ago. Since then, it has expanded to China, Thailand and other Asian countries. We established Design & Die Co., Ltd. in Japan and Design and Die USA Inc. in Detroit in 2002 to subcontract projects covering the entire process from advanced 3D solid modeling and the development of prototypes to mass-production dies. In 2003, we established Nagase Plastics Design and Die (Tianjin) Co., Ltd. in Tianjin, China. With the same functions as Design & Die Co., Ltd., it has since commenced full-scale operations. Looking ahead, we will work to expand our business further by enhancing our capabilities.

Nagase's Strengths

- The Nagase Group's overseas network
- Chemical-based technological expertise
- Unique, multiple capabilities that can be applied from the design stage

Future Strategies

We anticipate further growth in overseas automobile manufacturing output in the future. We aim to be a company that supports the global manufacturing systems of automakers, our customers, by partnering with them to offer original solutions that other companies cannot provide. Over the next few years, we will continue to focus on developing the Chinese market while working to expand our business in ASEAN countries, primarily Thailand and Indonesia. In addition, we will explore the potential of the huge Indian market. Nagase will also increase Group-wide focus on the United States, as we anticipate that Japanese manufacturers will continue to shift production there, making it an increasingly important market. Likewise, with an increasing number of Japanese automakers moving into the European market – especially Eastern Europe – and expansion of the market, Nagase's approach to the Eastern European market will become an important issue following WIT21.

Demand for electrical materials and components for automobiles will increase as electrification and computerization of automobiles continues. At the same time, demand will rise for plastics with high heat resistance for engine room components. Efforts to reduce CO₂ and improve fuel efficiency are also driving a shift to lighter automobiles, which puts increasing demands on materials. We therefore expect electrification, computerization, lightweight materials and even responsiveness to the environment to be major issues in our future businesses.

PLASTICS



Yoshizo Shibata

Director and Managing Executive Officer

Plastics Businesses;
Life Sciences Businesses;
Fine Chemicals Department;
Beauty Care Products Department;
Advanced Polymers Department;
Eco-Materials Department;
Business Administrative Office;
New Business Development Office;
Corporate Marketing Office

Strategic progress: Continuing expansion of overseas sales

Like the Chemicals business, the Plastics business is a core segment for Nagase. Through many years of selling engineering plastics, Nagase has developed domestic and overseas sales channels, affiliated manufacturers and a distribution system that form the basis of an expanding Plastics business covering a broad range of fields including automotive, one of the four strategic areas under WIT21; office automation (OA) and electric appliances; eco and housing materials; and packaging materials and films. In fiscal 2004, we exceeded both sales and operating income targets by a large margin as a result of continued sales increases centered on Greater China, where we have been focusing efforts, as well as in ASEAN countries.

Sales growth in Greater China and ASEAN countries was focused on engineering plastics, while in the domestic Japanese market, it centered on raw materials for plastics and plastic components used in the automotive industry. Sales to North America and Europe increased as well. Sales of raw materials for plastics used in OA product housing materials increased in Japan. In the area of eco and housing-related raw materials and products, sales of products incorporating Pluswood, Nagase's original wood composite material, rose steadily.

The Plastics business has the most consolidated subsidiaries of all Nagase's business segments. Of these, Setsunan Kasei Co., Ltd., which specializes in plastics coloring and compounds, posted an increase in sales. Sales were also firm at Totaku Industries, Inc., a manufacturer of flexible hoses and pipes for home electrical appliances such as household vacuum cleaners and washing machines as well as for industrial use, and at Kotobuki Kasei Corp., which manufactures plastic trays for food packaging.

Future Strategies

We foresee a prolonged shortage of petrochemicals as a result of rapid growth of the Chinese market. In the Plastics business as well, sourcing strategies will become an important issue, just as customer strategies have. We anticipate that the automotive and OA and electric appliance industries will continue to actively develop business in China. At the same time, fluctuations in the political climate have raised the issue of spreading risk among firms when relocating production bases as well as the strategic importance of ASEAN countries. Customers increasingly expect us to respond quickly with flexible proposals that deal with these issues. Amid these circumstances, we will continue to promote the basic strategies of WIT21, enhance operations to ensure quick response to customers both in Japan and overseas, and expand our business.

We will continue to enhance advanced polymers and automotive materials-related businesses in Greater China and ASEAN countries. We will work to realize profits quickly at affiliates established over the past several years, and invest in a wide range of businesses, including processing and assembly, based on intermediary businesses. Increasing our capabilities, we will also concentrate further on acquiring new Taiwanese and other non-Japanese customers.

The Plastics business will also work harder to promote collaboration inside and outside the Company. We will get Sun Delta Corp., a joint venture established with Asahi Kasei Chemicals Corp., on track quickly in order to respond to domestic needs for high-performance and specialized products, integrate marketing and technological development in a single organization, and quickly develop new applications. Within the Nagase Group, we will collaborate with the Performance Chemicals Department to expand the automotive-related urethane components manufacturing business in Greater China. In addition, we will concentrate on developing functional films and other products in cooperation with the Display & Electronics Components Department and the Information & Functional Materials Department. Regarding Pluswood, Nagase's original proprietary product and a promising application of recycled plastic, we will work to quickly realize profits and make a positive contribution to the natural environment.

Nagase's Strengths

- Global sales network
- Network of on-site customer contacts established over many years of developing end-use applications
- Unrivaled multiple capabilities that add value to customer products from the design stage

CHEMICALS



Eiji Asami

Director and Executive Officer

Chemicals Businesses;
Colors & Imaging Department;
Speciality Chemicals Department;
Information & Functional Materials Department

Strategic advances: Continuing support of four WIT21 strategic areas and cooperation with divisions leads to growth

The chemicals business is the foundation of Nagase's operations and provides support in the four strategic areas of WIT21. In fiscal 2004, net sales and operating income were substantially above projections due to the rise in petrochemical prices and favorable conditions in the automotive and liquid crystal markets, which led to strong growth in pigment sales for LCDs, and in the master batch business for plastics. Nagase achieved a growth rate above the market rate through a focus on cooperation.

Our mission in the chemicals business is to raise the level of synergy with other Nagase businesses. For example, although complex solutions for plastic mold and shoe manufacturers center on color proposals originating in the colors and imaging business, involvement is not limited to the Colors & Imaging Department alone. Nagase uses a new business model that emphasizes cooperation between departments. Cooperation greatly increases exchange of information between departments and reinforces a corporate culture of information sharing and utilization. The key to future business expansion for Nagase is determining how best to use corporate assets. The chemicals business departments are pursuing a framework and structure for capitalizing on new opportunities in this regard.

Future Strategies

We met WIT21 targets ahead of schedule, and will continue working to achieve other strategic targets. After the completion of WIT21, we plan to continue pursuing our target of 10 percent annual growth in operating income.

In fiscal 2005, we will focus business activities under four policies: 1) Strengthen core businesses; 2) Expand business overseas; 3) Expand business through internal cooperation; and 4) Concentrate on new businesses.

We will strengthen core businesses in response to customers and markets. We will expand sales of customer products to strengthen relationships with customers. Specifically, we will support customer sales by purchasing products from customers who buy raw materials from Nagase. Moreover, we will strengthen relationships with our suppliers by giving them direct access to all Nagase departments.

The printing business is central to Nagase's efforts to expand in new areas. We will broadly implement our business model for packaging and the printing of playing cards for major game and toy manufacturers. As the industry shifts from traditional to digital printing, we plan to build a strong printing business structure covering areas including toner materials and printing paper.

In electronic chemicals, we plan to carry products not handled by the electronics business divisions of Nagase including fluorene, ionic liquids and electrolytes. In addition, we are considering production of new chemicals and other products made with a catalyst developed by Professor Keiji Maruoka of Kyoto University.

Personnel development is absolutely crucial in making the most of our functions and strength, and steadily advancing our strategies. Increasing each employee's ability is paramount. For this reason, my mission is to implement internal training and personnel development in response to new market needs.

Nagase's Strengths

- Global networking and distribution capabilities crucial to manufacturers and users
- Connections and knowledge acquired through long experience in the business
- Wide range of operations in areas including commodity chemicals and specialty chemicals

Corporate Social Responsibility (CSR) Activities

The Nagase Group is a member of society and, as such, it is our duty to behave in a manner in keeping with this role by maintaining good and fair business practices and providing society with the goods and services it needs. Through continued growth and development, Nagase can improve the welfare of its employees, while making a contribution to society. Nagase aggressively promotes activities in line with this corporate philosophy.

Environmental Preservation Activities

Under the environmental policy of developing businesses that give full consideration to environmental issues, we aim to contribute to environmental preservation through expansion and creation of eco-businesses. We will use our strength in information and technology to implement various measures from this perspective.

Dealing with Hazardous Substances

Nagase is putting its strengths in technology and information to work to prevent pollution by using green chemistry and green products. We present alternatives to the hazardous substances that cause air, soil and water pollution, and provide safety-related information on chemical products.

ISO 14001

The Company received ISO 14001 certification in April 2000. In June 2005, the scope of certification was broadened and now covers Nagase & Co., Ltd. (Tokyo Head Office, Osaka Head Office, Nagoya Branch Office and Nagase R&D Center), Nagase Colors & Chemicals Co., Ltd. (Osaka Head Office, Nagoya Branch Office, Hamamatsu Branch Office and Hokuriku Branch Office), and Nagase Chemical Co., Ltd. (Tokyo Head Office, Osaka Branch Office and Shizuoka Branch Office).

Zero Emissions*

We have developed a chemical management system and a solvent recovery system that contribute to the realization of this goal. The chemical management system controls the concentrations of chemicals used in the manufacture of semiconductors and LCD panels in order to make the process more stable while significantly reducing the amount of chemicals used.

The waste solvent recovery system processes waste that cannot be reduced to zero by a single corporation, and uses it as raw materials for different industries.

* The concept of zero emissions, referring to a company's total emissions of waste, was first advocated by the United Nations University in 1994.

Developing Products and Businesses that Lessen Environmental Impact

We are aggressively developing eco-materials, devices and systems that contribute to lessening environmental impact.

The Nagase Group established a new manufacturing company in Singapore in September 2001 to serve the Southeast Asia region. The plant is capable of both producing the chemicals used to manufacture LCDs, semiconductors and electronic devices, and recycling those chemicals after use. Nagase Finechem Singapore (Pte) Ltd. is able to efficiently use limited resources by recovering, recycling and reusing the chemicals it produces and sells. The reduced emissions also lessen the impact on the environment. The company has been granted "Pioneer Status" by the Singapore government, a distinction given to new companies that benefit the country. The Nagase Group is building a network linking Japan, Korea, Taiwan and Singapore to enhance the production, sale, recovery and recycling of chemicals used in LCD, semiconductor and electronic device manufacturing throughout Asia.

Together with engineering companies and general contractors, the Nagase Group also operates a business that decomposes organochlorine compounds.

In addition to Pluswood, an environmentally friendly product that uses a new type of material made from a composite of wood and non-vinyl chloride thermoplastic, the Nagase Group offers resins, fire retardants, chemical substitutes, repairable adhesives and other eco-materials with an emphasis on lightness, recyclability, safety, and ease of decomposition and separation.

Reducing Energy Used in Shipping

Since 1996, the Nagase Group has implemented joint distribution, in which we ship dyestuff-related products together with other companies in the same business. Joint distribution has allowed us to offer finely tuned customer services, and integrating storage facilities has made vehicle dispatch to customers more efficient. In fiscal 2002, the Nagase Group began offering a "weekly full container service," which facilitates distribution by consolidating the cargo of multiple coating material manufacturers into a single container for overseas shipping. This service lessens the burden of distribution for customers and contributes to preserving the environment and conserving fossil fuels by reducing the energy used in shipping.

Environmental Research Activities

The Nagase Group actively promotes joint environmental research, primarily through the Nagase R&D Center. One example of our efforts to pursue green chemistry is in the area of organic synthesis, where research is currently underway to reduce the multi-step manufacturing process for the pharmaceutical intermediate (R)-3-Quinuclidinol to a single step by using a biocatalyst to induce microbial reduction. In 2004, this project was selected for a Grant for Industrial Technology Research by the New Energy and Technology Development Organization (NEDO).



Pluswood, an environmentally friendly product that uses a new type of wood composite material



Chemical management system

Supporting and Cooperating with External Environmental Organizations

Coexisting with society is one of our environmental policies, and we support and cooperate with other organizations working to protect the environment. This includes participation in the Nippon Keidanren Committee on Nature Conservation, the Japan Foreign Trade Council Global Environment Committee, the Osaka Chamber of Commerce and Industry Environmental Problem Research Council, and others. We are also part of the Nihonbashi Kobuna-cho recycling drive, a small but meaningful contribution to the local community.

Contributing to Growth of Scientific Technology

Nagase has a long history of developing enzymes and technologies for organic compounds for use not only in the chemical industry but for a wide range of applications in various industries including pharmaceuticals. Through these activities we intend to promote awareness of the importance of basic technology in biochemistry and organic chemistry, and aid in the broad advance of scientific technology in Japan. To mark the 70th year since Nagase's founding, we established the Nagase Science and Technology Foundation.

Established in April 1989 and designated a public interest corporation by the former Science and Technology Agency, the Nagase Science and Technology Foundation aims to contribute to the development of the social economy by advancing science and technology through assisting research and development and supporting international exchange in fields including biochemistry and organic chemistry. Including research grants to researchers, financial support for attendance at overseas and domestic conferences and support for lectures, the Foundation

has awarded a cumulative 266 research grants and 178 international exchange fellowships totaling approximately ¥713 million. (International exchange fellowships have been suspended as of fiscal 2004.)

Researchers who have received Nagase Science and Technology Foundation grants have won awards from organizations including the Enzyme Engineering Society, the Chemical Society of Japan and the Society for Biotechnology, and are active in the fields of biochemistry and organic chemistry. In addition, the Foundation contributes to conferences by providing support to participants in the Human Genome Organization, International Organic Chemistry Conference, the International Congress of Photosynthesis and other conferences. We believe that R&D in biochemistry and organic chemistry leads to the development of various applications in the chemical industry and many others, and substantially contributes to the advancement of scientific technology and the welfare of mankind.



Research Grants Provided in 2005		
Name	Present office/Position	Subject matter
Biochemistry		
Ken-ichi Kimura	Department of Agro-bioscience, Faculty of Agriculture, Iwate University/ Assistant Professor	Studies on the new function and the structure-activity relationship of the novel enzyme inhibitor, propeptin
Tomohisa Kuzuyama	Biotechnology Research Center, The University of Tokyo / Associate Professor	Structure analysis of the rate-limiting enzyme in the new pathway for isoprene units biosynthesis
Kenji Sonomoto	Faculty of Agriculture, Graduate School, Kyushu University / Professor	Architecture of novel functional peptides based on biochemical studies on lantibiotics
Hisanori Tamaki	Graduate School of Biostudies, Kyoto University/ Instructor	Analysis of glucose signal transduction pathway in yeast and its application.
Eiichiro Fukusaki	Graduate School of Engineering, Osaka University/ Associate Professor	Development of a high-resolution metabolome analysis system
Toru Matsui	Centre of Molecular Biosciences (COMB) University of Ryukyus/ Associate Professor	Expression of alkene-monooxygenase by recombinant actinomycetes and its application to a bioprocess.
Takashi Yamada	Department of Molecular Biotechnology, Graduate School of Advanced Sciences of Matter, Hiroshima University/ Professor	Construction and Utilization of Nanoscale Biocomplexes Made of Self-assembling Molecules.
Akira Watanabe	Department of Life Sciences, Faculty of Agriculture, Kagawa University/ Associate Professor	Studies of developmental processes in basidiomycetous mushroom using RNA interference
Organic chemistry		
Kazuaki Ishihara	Graduate School of Engineering, Nagoya University/ Professor	Design of Chiral Organobase Artificial Acylases
Tsuyoshi Kawai	Research and Education Center for Materials Science, Nara Institute of Science and Technology/ Professor	Fluorescence Study of Chiral Perylene-Dimer in Single Molecular Level
Michinori Suginome	Graduate School of Engineering, Kyoto University/ Professor	Synthesis of Multifunctionalized Chiral Synthons via Catalytic Asymmetric Silaborative Couplings
Kazuo Nagasawa	Faculty of Technology, Tokyo University of Agriculture and Technology/ Associate Professor	Development of multifunctional organocatalyst and its application to the practical asymmetric reaction
Itaru Hamachi	Department of Synthetic Chemistry and Biological Chemistry, Kyoto University/ Professor	Screening and Synthesis of Novel Artificial Molecules That can inhibit a Phosphoprotein/protein Interaction
Tsunehiko Higuchi	Graduate School of Pharmaceutical Sciences, Nagoya City University/ Professor	Chemical Model Study for Elucidation of Cytochrome P450 Catalysis
Toshiaki Murai	Department of Applied Chemistry Faculty of Engineering, Gifu University/ Professor	Development and application of unprecedented chiral discriminating agents

Corporate Governance

At Nagase, our management philosophy has always been to carry out good and fair business practices. Aware of the importance of quick decision-making and active, transparent management, we are aggressively working to strengthen corporate governance in order to implement this philosophy and continue raising corporate value.

Business Execution and Auditing Framework

Nagase has adopted a Board of Auditors system. The Board of Directors is composed of ten directors, including two from outside the Company. With regular meetings once a month, the Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervision of the execution of operations. It also reviews and formulates measures regarding important decisions and tracks business performance.

The Board of Auditors consists of four auditors, including two from outside the Company. In addition to attending Board of Directors' meetings and other important meetings, they closely monitor the execution of duties by directors and executive officers through surveys of Company operations and assets and management reports from subsidiaries, which they request on an as-needed basis. Monitoring and assignment of tasks are based on policies set at Board of Auditors' meetings.

The Audit Office is in charge of internal audits, including audits to assess the appropriateness and efficiency of business activities. The Audit Office and Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas subsidiaries and hold meetings twice a year with auditors of related companies. In addition, they perform liaison activities including receiving regular reports from certified public accountants Shin Nihon & Co. regarding accounting matters and associated internal controls, and being present at accounting audits performed by the independent auditors.

We introduced an executive officer system in June 2001, and have appointed 20 executive officers (7 serving concurrently as directors). The Board of Executive Officers holds a regular monthly meeting to ensure quick decision making for business execution. Executive officers attend General Managers' Meetings, where they discuss sales and marketing issues and Managers' Meetings, where they discuss administrative issues and establish concrete measures based on status reports received from each department. In addition, we have established an advisory board of outside experts based on our view that it is important to have the Company's management practices evaluated and checked objectively. Certified public accountants Shin Nihon & Co. are commissioned to conduct a fair and impartial audit.

At the Annual General Meeting of Shareholders held on June 28, 2005, the Board of Directors invited Mr. Takuya Goto, Chairman of the Board of Kao Corporation, to serve as an outside director of the Company, joining Mr. Haruyuki Niimi, Chairman of Showa Shell Sekiyu K.K., who has been providing advice as an

outside director since June 2004. Neither the outside directors nor the outside auditors have any personal, capital or business relationship with, or any other interest in, the Company. Kao Corporation and Nagase do have a vendor-supplier relationship with regard to chemicals, but all transaction terms are identical to those between Nagase and other business partners.

Strengthening the Compliance System

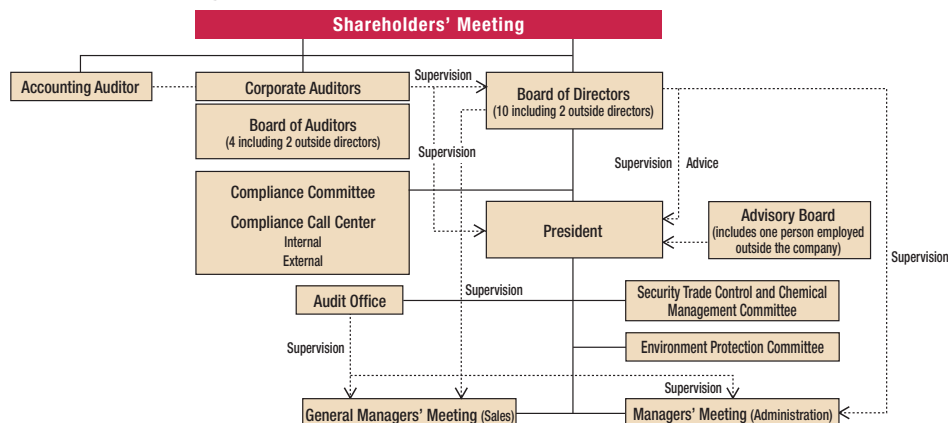
In order to achieve management compliance, we established the Compliance Committee in 2001, and have since endeavored to ensure compliance with laws and regulations, and realize our corporate philosophy. In November 2003 we established the Nagase Group Code of Conduct and in fiscal 2004 we set up a compliance call center where employees can report or discuss issues directly with the Compliance Committee Office or outside lawyers. We are working to create a system in which Nagase Group employees can discuss in-house compliance issues they discover without having to go through established organizational channels.

Strengthening the Compliance System

The Security Trade Control and Chemical Management Committee ensures that Nagase complies with all laws and regulations in connection with transactions involving goods and technologies falling under such laws as the Foreign Exchange Law and Foreign Trade Law, which were established to ensure international peace and safety, as well as regulations pertaining to the Law Concerning the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and the Pharmaceutical Affairs Law. The Environment Protection Committee has established an environmental policy under which it ensures thorough compliance with environmental laws and regulations, promotes environmental awareness in business activities, facilitates social harmony, establishes and continually improves environmental management systems and works to enforce and publicize compliance with the environmental policy at the immediate workplace level.

In August 2004, the Compliance Committee formed an internal working group to study measures to protect personal information, aware that enactment of the Personal Information Protection Law in April 2005 would necessitate further enhancements to the Nagase Group's information management system. In February 2005, the Committee issued Regulations Regarding the Protection of Personal Information based on our Personal Information Protection Policy and held briefing sessions to thoroughly familiarize management and staff. We will continue working to strengthen our information management system in the future, because proper information management is an important social responsibility.

Corporate Governance System



Board of Directors, Corporate Auditors and Executive Officers

(As of June 28, 2005)



Seated (from left): **Reiji Nagase**, **Hideo Nagase**, **Hiroshi Nagase**, **Yoshizo Shibata**
 Standing (from left): **Haruyuki Niimi**, **Eiji Asami**, **Kyoichi Zushi**, **Makoto Tsuruoka**, **Kazuo Nagashima**, **Takuya Goto**

Board of Directors

Representative Director and Chairman	Hideo Nagase	Director and Executive Officer	Makoto Tsuruoka (GM, Finance Division; GM, Accounting Division; GM, Legal & Credit Division; GM, Osaka Administrative Division; GM, IT Planning Office)
Representative Director, President and CEO	Hiroshi Nagase	Director and Executive Officer	Eiji Asami (Chemicals Businesses; Colors & Imaging Department; Speciality Chemicals Department; Information & Functional Materials Department)
Director and Managing Executive Officer	Reiji Nagase (Automotive Related Businesses; Performance Chemicals Department; Automotive Solutions Department; Nagoya Branch Office)	Director and Executive Officer	Kazuo Nagashima (Electronics Businesses; Electronic Chemicals Department; Display & Electronics Components Department; Medical Care Products Department)
Director and Managing Executive Officer	Yoshizo Shibata (Plastics Businesses; Life Sciences Businesses; Fine Chemicals Department; Beauty Care Products Department; Advanced Polymers Department; Eco-Materials Department; Business Administrative Office; New Business Development Office; Corporate Marketing Office)	Independent Director	Haruyuki Niimi (Representative Director and Chairman, Showa Shell Sekiyu K.K.)
Director and Executive Officer	Kyoichi Zushi (President, Nagase ChemteX Corporation)	Independent Director	Takuya Goto (Chairman of the Board, Kao Corporation)

Corporate Auditors

Standing Corporate Auditors	Shunsuke Okabe Hideo Yamashita	Corporate Auditors	Yasuhiro Kashiwada Eisaku Kimura
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Executive Officers

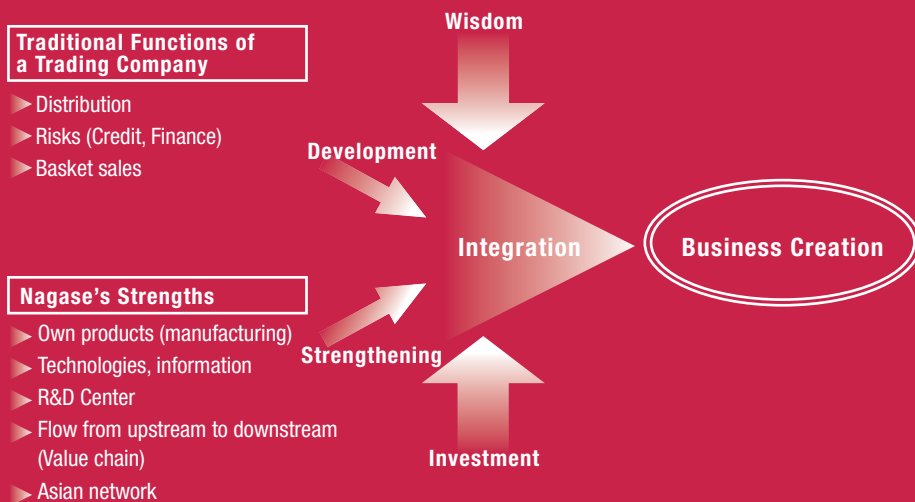
Beauty Care Products Department	Makoto Ono	GM, Automotive Solutions Department	Masao Hidaka
GM, Information & Functional Materials Department	Shingo Bamba	GM, Performance Chemicals Department	Toshiro Yamaguchi
GM, Corporate Management Office; GM, Human Resources & General Affairs Division; GM, Audit Office	Koji Kuramitsu	GM, Nagoya Branch Office	Masami Takeuchi
CEO, China	Takashi Okamoto	GM, Business Administrative Office	Osamu Morikiyo
CEO, ASEAN	Masamichi Kan	President, Hoei Sangyo Co., Ltd.	Kazushi Sayanagi
GM, Eco-Materials Department	Osamu Kitaguchi	GM, Advanced Polymers Department	Shunichi Kawashiri
GM, Fine Chemicals Department; Nagase R&D Center	Masuhiko Nojiri		

REVIEW OF OPERATIONS

- Colors & Imaging Dept.
- Performance Chemicals Dept.
- Speciality Chemicals Dept.
- Fine Chemicals Dept.
- Advanced Polymers Dept.
- Automotive Solutions Dept.
- Eco-Materials Dept.
- Electronic Chemicals Dept.
- Information & Functional Materials Dept.
- Display & Electronics Components Dept.
- Beauty Care Products Dept.
- Medical Care Products Dept.
- Nagoya Branch Office

A technology and intelligence oriented company
that turns wisdom into business

Creating Business through WIT21



Colors & Imaging Department

The Colors & Imaging Department sells materials and systems under the theme of “color and light.” It offers products including cutting-edge color materials as well as light related functional products and data displays (imaging). The electronics and IT businesses comprise data processing technologies, but for data to become usable information, it must first be expressed in the form of visible images or signals. Many products handled by the Colors & Imaging Department play a role in binding electronics and the human eye.



Hiroshi Hanamoto
GM, Colors & Imaging Department



Strategies and Results

In fiscal 2004, net sales and operating income increased year-on-year. Sales of printers, copy machine ink ingredients, toner ingredients and color filter materials used in liquid crystal displays (LCDs), all targeted growth areas, were favorable. Sales of chemicals used in plasma displays and DVDs also increased, and sales of color formers used as raw material in thermal and pressure-sensitive paper, chemicals for paper production and textile dyestuffs were essentially even.

We are making steady progress on WIT21 numerical and strategic targets, and conducting business in a wide range of areas from small lots of highly designed products to mass-produced goods.

Although contraction continued in the domestic textile processing market, concentration on exports to China and development of new materials, targeted primarily at Japanese companies with production in China, contributed significantly to performance. Our business model for expanding in China provides comprehensive support in areas including procurement of raw materials and product sales, particularly for Japanese companies expanding operations there. In fiscal 2004, we established a foundation for operations by dispatching full-time personnel and providing access to the Shanghai Techno Center, our technical support center in Shanghai. In fiscal 2005, we will commence commercial scale operations and strengthen our local sales force through alliances with production and sales partners in China.

The Color Workshop has been working closely with users to create custom-made colors with functional color materials, and has steadily accumulated an excellent track record since beginning operations in 2001. In fiscal 2004, we worked on numerous projects including co-development of new colors with mobile phone manufacturers and the application of our colorants for new color impressions for bathtubs.

In a project where our light effect pigments were used in artificial leather for a U.S. sports shoe manufacturer, we capitalized on Nagase's unique strengths in the area of offering customers end-user solutions. We worked directly with the customer, handling everything from making color proposals to providing the ingredients involved.

In the printing field, we continued to develop printing projects that provide printing products to major game and toy manufacturers through alliances with the Japanese printing company in our business of manufacturing products in China for global markets. At the same time, we expanded sales of related products such as ink and printing media. We will continue to develop our global printing products business with a focus on manufacturing in China with technical origins in Japan. We will commence overseas sales activities targeting the Chinese, Korean, and American markets, offering everything from design solutions to materials development.

In the area of imaging and recording materials, sales were strong, primarily in the emerging IT industry for flat panel displays and DVD-R functional dyestuffs and related products. In the thermal paper field, in light of a feasibility study concerning OEM production in China conducted in response to declining market prices, we plan to start marketing activities in fiscal 2005 through alliances with chemical manufacturers in China targeting contracted production of developer and sensitizer.

Future Direction

Nagase holds the leading market share worldwide for red pigment for liquid crystal display color filters, colorants for backlight reflectors for LCDs, light absorbers for specified wavelengths that coat plasma display panels (PDPs), and black color former for thermal paper. In the future in the display field, we will promote LCD-related products including light reflector colorants, and LCD protective films. We will also concentrate on providing a wide range of PDP-related products including light absorbers for specified wavelengths and related products, electromagnetic interference shield materials, AR materials and hard coating materials. In addition, Nagase holds the largest share of the market in Japan for high-performance organic pigments used in automotive paints, and dyestuffs used in automobile seats and seatbelts. We will enhance marketing in the automotive field through cooperation with other departments.

We will develop businesses that capitalize on our superiority in “color and light” by expanding in areas where other marketing companies and manufacturers – major or otherwise – cannot.

TURNING WISDOM INTO BUSINESS

Sales of the organic conductive film DENATRON, developed in-house, were favorable. Standard conductive film uses inorganic black carbon and surfactants, and often has low water resistance. By comparison, DENATRON is a highly transparent and durable organic conductive material used primarily in products such as protective film for LCD panels. Applications in electronic components have also been expanding. Conductive film is poised to become the fastest growing product in the industry, with sales expected to double year-on-year in fiscal 2005.



Performance Chemicals Department

The Performance Chemicals Department is responsible for Nagase's core business as a chemical-based company. Handling a broad range of petrochemical products, from commodities to high-value-added products, we enhance Nagase's core function by further strengthening its operating base. In addition, as our customers' business activities become more global in nature, we are working to provide high-quality proposals and create new business models encompassing materials and products by elevating the importance of exports and overseas production and maximizing the collective strength of the Nagase Group.



Toshiro Yamaguchi

Executive Officer
GM, Performance Chemicals
Department



Strategies and Results

Although growth was nearly flat in the Japanese markets for coating materials and urethane, the establishment of joint ventures and other measures we have taken in this strategic area began to yield positive results. Sales increased due primarily to overseas sales of urethane materials used in automobile seats and other cushion material applications. In addition, sales of additives for flame-proofing paints and plastics increased, particularly overseas. As a result, net sales increased significantly year-on-year.

The Performance Chemicals Department comprises the coating materials, urethane, plastic additives and filter businesses.

In the coating materials business, sales increased in the information recording and display-related fields due to measures targeting users in the ink-related industry, contributing significantly to performance. We conduct our "weekly full container service," which increases distribution efficiency by consolidating the cargo of multiple customers into a single container, as part of our focus on solutions-oriented businesses. In addition, we steadily grow sales and further deepen customer relations by developing new sales of customer products overseas through cooperation with Nagase's overseas bases.

In the urethane business, the Chinese sector continues to grow, particularly with sales to the automobile industry. Toyo Quality One Ningbo Co., Ltd. and Guangzhou Kurabo Chemicals Co., Ltd., two joint ventures established together with customers to manufacture urethane products in China, have been contributing to growth in sales since they began operating in 2002. In response to strong demand, these companies are taking aggressive measures to further increase their production capacity. In addition, we established an automotive foam manufacturing company in Guangzhou in December 2004, scheduled to begin operations in spring 2006. To build a value chain in the automotive business covering upstream urethane materials to downstream automotive components, we are also forging alliances between other divisions and related companies.

In the filter business, sales of our patented Denafilter polymer filter and in our cleaning business were strong, centered on the film industry. We plan to develop our business in the optics field, where further growth is expected, and in overseas markets.

In the commodity products business, the Performance Chemicals Divisions sell competitive materials to manufacturers of chemical intermediates, and the Coating Materials Division provides manufactured resins to paint manufacturers. We have strengthened cooperation of this kind between divisions. As a result, the positioning of the commodity products business within Nagase has been clarified, and customer service has been enhanced through thorough focus on customer-oriented policies and cooperation.

Future Direction

We achieved the targets of the Medium-term Management Plan WIT21 ahead of schedule. Positioned as the core business in the Nagase Group with a broad range of operations, the Performance Chemicals Group will continue to expand the possibilities of new businesses, using the current year as a foundation for setting new post-WIT21 targets.

During fiscal 2005, we will establish a structural foundation, promote further unification of information and alliances with other business departments and enhance global strategies. We also plan to expand our business in the Greater China region by procuring urethane materials locally and developing businesses for product processing in conjunction with plastics-related divisions. In the commodity products business, we aim to expand business in the medium to long term so that they are not unduly affected by future change.

TURNING WISDOM INTO BUSINESS

Conventional paints contain large amounts of solvents called volatile organic compounds (VOCs), which are a major cause of air pollution. We are concentrating on development and sales of materials for water-based paints, and materials such as paint additives that eliminate pollutants, to achieve low VOC. In addition, we are collaborating with engineering and general construction companies to launch a business that effectively uses by-products from pigment production to break down organic chlorinated compounds found in soil.



Speciality Chemicals Department

The Speciality Chemicals Department supplies a range of products, including raw materials for household products, cosmetics, surfactants, fluorochemicals and silicones, to industries involved in surfactants or organic synthesis products such as chemical intermediates. We are concentrating on adding value to our operations by focusing on the specific needs of customers, improving the productivity of our sales organization and developing electronics chemicals.



Kazuo Mitsuhashi
GM, Speciality Chemicals
Department

Strategies and Results

In fiscal 2004, we focused on expanding businesses with high profit margins in niche areas using the Nagase Group's information and business development capabilities, and worked to achieve the numerical targets of WIT21 ahead of schedule. Sales were slightly short of target despite solid performance centered on products of Nagase ChemteX Corp., but operating income reached target levels one year early.

Our core businesses are organic synthesis, surfactants and Nagase ChemteX products, which we carry out in cooperation with the Performance Chemical Department of Nagase ChemteX. In all three businesses we are expanding our range of activities from supplying raw materials to developing speciality chemical materials and applications in order to achieve higher added value. In particular, we are focused on developing products for the electronics and automotive markets through cooperation with customers and existing partners in core business areas as well as with Nagase ChemteX and Nagase's Electronics divisions. In fiscal 2004, sales in this steadily expanding business area increased more than 10 percent year-on-year. Good examples of products we offer in this area are raw materials for resist used in electronics materials and rechargeable batteries for computers and hybrid automobiles. The market for rechargeable batteries is expanding rapidly.

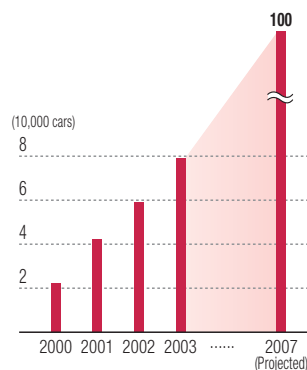
In China, where we dispatch engineers and possess original analysis and production capabilities, we are working to expand a business model that makes use of Nagase's total strengths. To ensure uniform product quality, we undertake pre-shipment quality testing of Chinese manufacturers' chemical products at NCC Shanghai Techno Center Co., Ltd. in collaboration with the Colors & Imaging Department.

Future Direction

Looking ahead to the final year of WIT21 and beyond, we will promote two key strategies in fiscal 2005 in line with overall strategies pursued over the previous one-year period. The first is to continue cost-structure improvements and increase productivity through greater use of human, information and organizational resources. The second is to increase sales and income by offering unique and best-in-class products and services that help customers increase their profits.

We will work to further enhance marketing for Nagase ChemteX's performance chemicals by linking the Performance Chemicals Department of Nagase ChemteX to the Speciality Chemicals Department. In addition, we will strive to become a group of specialists capable of developing businesses through customer-centered, solution-oriented activities that increase corporate value. Possessing a sales force that can perform at a professional level is vital because we deal with specialized, high-value-added products. To develop high-level, specialized expertise, we will plan and undertake ongoing professional training for our sales force. We will also work to strengthen our organization and enhance our analytical and strategy-formulation capabilities through measures such as incorporating IT to back up the sales force and improving our support staff.

Global Market for Hybrid Automobiles



TURNING WISDOM INTO BUSINESS

The Speciality Chemicals Department is particularly focused on developing new materials in the area of organic synthesis. Target markets include the automotive, electronics chemicals and next-generation energy storage device industries, with a focus on automotive products such as rechargeable batteries and capacitors. We are creating businesses in conjunction with other companies in different fields at each stage of the development process, from exploring and identifying future needs to optimizing the seeds of research. We will continue to work closely with customers to create new materials with defined functions through an empirical process.



Fine Chemicals Department

The Fine Chemicals Department provides a broad range of highly functional products and services related to pharmaceuticals, food and living environments in the field of life sciences, which is one of the key strategic areas of WIT21. We also concentrate on establishing new businesses using our proprietary fermentation technology in fields including functional foods and health foods



Masuhiro Nojiri

Executive Officer
GM, Fine Chemicals Department,
Nagase R&D Center

Strategies and Results

During fiscal 2004, net sales were essentially even year-on-year. Sales in the agricultural chemicals business decreased due in part to the effects of a business review conducted to enhance the profit margin. However, sluggish first half sales in the pharmaceuticals-related business recovered in the second half and sales for the full year were essentially even year-on-year. In addition, sales of enzymes for use in starch processing and overseas sales of fragrance agents increased.

We set three basic strategies for the Fine Chemicals Group under WIT21: 1) Develop marketable businesses related to medicine, food and living environments; 2) Create businesses that capitalize on Group strengths; 3) Shift the orientation of existing businesses from an intermediary role to a solutions focus.

In the pharmaceutical business, two important factors in recent years have affected our business—one negative and the other positive. The negative factor is that the number of new drugs developed has declined with the decrease in the number of pharmaceutical companies, which is due to factors including domestic and overseas M&As and integration, while the positive factor is that outsourcing of drug manufacturing has increased, although competition has intensified. In fact, in fiscal 2004, we achieved notable success in our contract business, which focuses on manufacturing processes and analytical development for investigational new drug (IND) substances and intermediates. We reorganized our pharmaceutical contracting business to make the most of Group strengths in developing businesses for manufacturing generic drugs (APIs and formulations), in addition to intermediates.

We set four basic strategies to guide operations: 1) Continuously promote the API, intermediates and raw materials businesses; 2) Enhance generic drug (API and formulation) businesses; 3) Expand business with our Chinese and Indian partners for contract manufacturing; and 4) Pursue new technology businesses.

In the reagents business, we began sales of fecal occult blood testing instruments and reagents for use in colorectal cancer screening in the United States in October 2004 through alliances with Eiken Chemical Co., Ltd. and Polymedco, Inc. This immunoassay-based product requires no dietary restriction and offers easier, faster and more accurate testing. We intend to capture over 10 percent of this growing market, which, due in part to increased insurance coverage for immunological methods, is expected to be worth ¥20.0 billion.

In the food business, we conduct highly profitable problem-solving and solutions-oriented businesses globally by providing original solutions created through Group strengths centered on Nagase ChemteX Corp., in the fermentation research and development and industrial production areas of the domestic and overseas food, functional food products and related industries. In the enzyme business, we are concentrating on development of high-value-added new fermentation production agents through fusion of highly functional materials for use with enzymes developed in-house, organic synthesis technologies and enzyme and fermentation technologies. In addition, in the rapidly growing health food market, said to be worth ¥1 trillion, we are conducting development focused on phospholipids, a promising ingredient for health foods.

In the agricultural chemicals business, we provide raw materials, intermediates and finished products worldwide, and are developing solutions-oriented businesses. Sales of intermediates imported from China and India continued to grow. We aim to enhance our profit margin by further increasing efficiency in the household market and reviewing our product mix.

Future Direction

Fiscal 2005 is the final year of WIT21. We will focus on three tasks to expand business: Strengthen consolidated operations and management; develop businesses that capitalize on R&D Center technologies; and provide original solutions using production functions of both Nagase ChemteX Corp. and Nagase Medicals Co., Ltd. In the pharmaceutical business, we will continue to implement basic policies and develop highly profitable solutions-oriented businesses globally, through original solutions created with Group strengths in R&D and production areas for domestic and overseas pharmaceutical and related industries.

TURNING WISDOM INTO BUSINESS

The Fine Chemicals Department's work toward production of unnatural amino acids is steadily progressing. Unnatural amino acids include α -distributed amino acids that do not exist in nature. Previously considered difficult to produce, α -distributed amino acids can now be produced selectively using a sophisticated chiral phase-transfer catalyst developed by Professor Keiji Maruoka of Kyoto University. Nagase has pursued development of technologies for mass production of unnatural amino acids as pharmaceutical intermediates using this catalyst, and is now in the pilot-scale production phase. Interest in this technology is increasing among pharmaceutical companies. We expect this technology to contribute to significant expansion of the Fine Chemicals Department's business, especially in the contract manufacturing business of pharmaceutical intermediates.



Advanced Polymers Department

The Advanced Polymers Department is the largest of the plastics-related businesses, accounting for over 60 percent of sales in this segment. It offers plastics, processed goods, auxiliaries, packaging materials, equipment, facilities and software for a wide range of markets and industries, other than the automobile and the building and construction industries, both in Japan and overseas. The Advanced Polymers Department promotes strategic partnerships with other companies in the Nagase Group in order to focus on the creation of new plastics-related businesses and overseas expansion.



Shunichi Kawashiri
Executive Officer
GM, Advanced Polymers Department

S. Kawashiri

Strategies and Results

Business in the Greater China region, a strategic focus of WIT21, grew significantly over the fiscal year ended March 31, 2005. Sales of engineering plastics and general-purpose resins continued to increase as a result of ongoing initiatives to concentrate personnel and expand the number of sales offices in response to the relocation of customer production bases to the Greater China region. In the newly added office automation customer segment, sales of plastic materials for computer peripheral enclosures and other products increased significantly both domestically and overseas supported by strategic partnerships with main customers. In addition, response to sales promotion for components, plastic materials and equipment packaging related to liquid crystal displays has been strong, and increases in sales are expected in the future.

In Japan, sales of plastic materials to packaging and consumer electronics customers were favorable overall due to strengthened relationships with important users and expansion of the product range. During the fiscal year under review, the component assembly business for plastic molded parts and other products used for electronics devices made a notable contribution to sales. Although it is still a relatively small business, there was remarkable growth in sales. Sales of Eastman Chemical Company's specialty polyester resin also increased. This product's unique properties make it useful for a wide range of applications: its melt viscosity facilitates development of new products that require irregular-shape extrusion molding and its transparency is well-suited to the production of cosmetics containers.

Business results of affiliates were also strong. Setsunan Kasei Co., Ltd., which handles plastic coloring and compounds, continued to increase its sales supported by a shift to functional resins from general-purpose resins for its main product. Sales were also favorable at Totaku Industries, Inc., a manufacturer of flexible hoses and pipes for industrial and household use including vacuum cleaners, washing machines and other electrical appliances, and at Kotobuki Kasei Corp., which produces trays for food packaging.

Future Direction

Our efforts to expand business in the Greater China region will continue. We will strengthen our marketing capabilities further by enhancing cooperation between the domestic and overseas digital electronics and OA-related businesses and establishing a system that focuses on strategically important customers. Moreover, we will concentrate specifically on marketing liquid crystal display-related products.

Aside from the Greater China region, we will enhance the functions of our offices in Vietnam, where a growing number of our customers are located. Our goal is to build a solid business base in preparation for creating a local subsidiary.

We have changed to a departmental structure from the previous Strategic Business Unit (SBU) structure in order to strengthen our operational organization. This change will promote efficient assignment of personnel and enhance selection and concentration in core development areas.

Strengthening partnerships within the Group and with outside businesses is another of our priorities. We formed a joint-venture company with Asahi Kasei Chemicals Corporation in March 2005 to manufacture, sell and develop applications for specialty resins. Through this company we will promote processed products of specialty resins and develop the market for functional films. By cooperating with the Display & Electronics Components Department and the Information & Functional Materials Department, we will develop functional films for use in liquid crystal displays and recordable media. In addition, we will collaborate with the Performance Chemicals Department to reinforce development of our resin filter business.

TURNING WISDOM INTO BUSINESS

As more and more of our customers expand overseas and the focus of business shifts to overseas markets, it is becoming increasingly important for them to focus on high performance products and specialty products in Japan. Responding to market demand, Sun Delta Corporation aims to provide business solutions by combining Asahi Kasei Chemicals Corporation's technological strengths, mainly in materials development, and Nagase's resin marketing capabilities to develop highly processed products with high added value for downstream sectors. Sun Delta's goal is to achieve yearly net sales of ¥5 billion within five years.



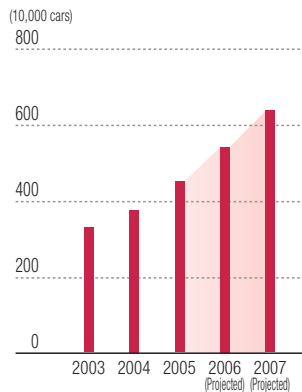
Automotive Solutions

The Automotive Solutions Department offers comprehensive business solutions in the automotive area, one of the four strategic areas outlined in WIT21. We handle everything from the sale of materials, products and equipment to component design, development of prototypes and production of dies, as well as acting as a purchasing agent for our customers' overseas facilities. We will continue to develop new businesses with companies in the increasingly global automotive industry while growing our operations both in Japan and abroad.



Masao Hidaka
Executive Officer
GM, Automotive Solutions
Department

Number of Light Vehicles Produced in China



Strategies and Results

Sales rose significantly in fiscal 2004, not only in Japan, China and other Asian countries where we expanded our bases, but also in North America and Europe. Sales in Japan grew over 20 percent year-on-year, while sales in overseas markets were up more than 50 percent.

The Automotive Solutions Department works to strengthen and develop Nagase's automotive business, one of the four strategic areas outlined under WIT21. We promote selective concentration and a customer-focused, solutions-oriented approach through global operations that include 3 design bases, 14 production bases (including partners' facilities) and 27 sales bases. We expand our business through a strategy of selective concentration, in which we use a time scale to choose customers, products, regions, partners and alliances. Our continued focus on offering a wide range of integrated business packages including everything from raw materials to finished products and equipment began to show results during fiscal 2004. Contributions to sales came not only from traditional general purpose resins but from functional resin materials as well.

Design & Die Co., Ltd., which subcontracts projects from component design and the development of prototypes to mass-production dies, performed strongly. One project undertaken by Design & Die during fiscal 2004 included everything from design to mass-production die for the instrument panel of an automobile being jointly developed by Toyota Motor Corporation and PSA Peugeot Citroën. We are using the same business model in China at Nagase Plastics Design and Die (Tianjin) Co., Ltd. and in North America at Design and Die USA Inc., located in Detroit.

The Automotive Solutions Department also promotes collaborative business with Nagase's other departments. During fiscal 2004, we sold the powdered urethane of a customer of the Performance Chemicals Department as a raw material for instrument panels used in luxury automobiles. We also established a new distribution channel by purchasing nonwoven fabric from a customer of the Colors & Imaging Department and selling it to our customers.

Future Direction

We will continue to promote the basic strategies of WIT21 and pursue expansion of not only the products business but also of new business models, business based on alliances, and product and software engineering businesses. We will focus on North America, Thailand and China, with particular emphasis in China on business with Chinese as well as Japanese automakers. Chinese automakers are increasingly seeking enhancements to their own designs, and there are significant opportunities for the Nagase Group to provide support in this area. We plan to expand in this business and increase the staff of Nagase Plastics Design and Die (Tianjin).

In China, we will participate in Guangzhou GRG Lamko Mold Manufacturing Co., Ltd., a joint automotive die manufacturing venture in Guangzhou.

In addition, we will begin purchasing fabric and external skins for automotive interiors from urethane manufacturers Toyo Quality One Ningbo Co., Ltd. and Guangzhou Kurabo Chemicals Co., Ltd., in which Nagase's Performance Chemicals Department is investing, and sell their urethane laminates.

The Automotive Solutions Department also pursues integration with businesses in different fields. In the Chinese city of Foshan, located in Guangdong, we will be jointly establishing Tokai Spring Mfg. (Foshan) Co., Ltd. to manufacture and sell precision leaf springs for automobiles, press products, precision press products and assembly and processing products.

TURNING WISDOM INTO BUSINESS

The Nagase Group was contracted to undertake a comprehensive project including everything from design to mass-production of the instrument panel for a new small car model that Toyota Motor Corporation and PSA Peugeot Citroën began producing jointly in February 2005. In an excellent example of the Nagase Group's strengths, we are controlling all stages of the process, from product design and die production to inspection tooling, manufacturing of prototypes, assembly, die shipment and mass production in the Czech Republic, in cooperation with business partners and the Tier 1 manufacturers who ordered the instrument panels. An estimated 300 thousand automobiles per year will be manufactured at the Toyota Peugeot Citroën Automobile Czech (TPCA) joint venture factory in the Czech Republic.



Eco-Materials Department

The Eco-Materials Department, operating under a new name from April 1, 2005, pursues a unique business approach to the field of lifestyles, housing and the environment based on a policy of contributing to environmental preservation through the provision of environmentally friendly materials, products and systems. That approach consists of offering a lineup of other companies' products (building materials and housing equipment) and materials (resins) centered on Nagase's own product, Pluswood, a new type of eco-friendly material made from a composite of wood and non-vinyl chloride thermoplastic. In the future, we aim to broaden the range of our environmental business by promoting recycling and making use of natural materials such as polylactic acid.



Osamu Kitaguchi
Executive Officer
GM, Eco-Materials Department



Strategies and Results

Pluswood continued to perform strongly, with sales nearly doubling year-on-year. Sales of resins and plastic products to manufacturers of housing and building materials increased significantly due to implementation of Nagase's international procurement service (IPS) that makes use of its overseas network of bases. Net sales increased approximately 40 percent compared with the previous fiscal year.

Pluswood, an environmentally friendly building material made from a composite of wood and non-vinyl chloride thermoplastic, combines the texture of wood with the functionality of plastic. Tough yet easy to work with, it does not rot, splinter, or fade. Capitalizing on these properties, we use Pluswood to make original products such as decking, louvers, latticework, insert panels for under windows, and railings, and have put together a product lineup that includes superior products made by other companies such as plastic framing, double flooring, bathroom units, aluminum fencing, kitchens, bathroom counters, fixtures and furniture. Our salespeople explain products directly to general contractors and distributors, and even carry out installation. This unique business approach has been extremely well received by clients, architectural firms and general contractors. We are also working to enhance online sales of Pluswood by expanding our e-business infrastructure. At present, we have over 10 thousand individual online customers and have expanded our lineup beyond decking to include new products such as exterior garden latticework and benches.

During fiscal 2004, we also took steps toward improving profit margins by cooperating with our manufacturing partners to lower production, distribution and storage costs.

Future Direction

The Eco-Materials Department's business extends from the upstream sector, which involves supplying raw materials to building materials and housing manufacturers, to the downstream sector of providing goods and services either directly to end-users or through general contractors and distributors. Our business vision has three core components: Providing a lineup of other companies' products centered on our own product, Pluswood; maintaining our core products business while pursuing synergies and higher returns by developing the raw materials business; and retaining a focus on direct sales to businesses and individuals while also selling components to large-scale manufacturers.

In fiscal 2005, we will undertake three key initiatives to achieve this vision: First, in addition to undertaking internal departmental restructuring we will reorganize our businesses, including our affiliate Delta Twenty-One Corp., which will specialize in Pluswood. Second, we will expand business of related products by increasing our roster of manufacturing partners and expanding the range of related products offered. We will also work to increase sales of products and resins by reinforcing our IPS functions. In addition, we plan to increase our focus on developing the market for eco-friendly materials such as polylactic acid. Third, we will optimize our business structure and style. Currently, we follow a cell approach to marketing, under which individual salespeople handle everything from planning to sales and collection. To maximize the efficiency of their efforts and achieve best results, we will develop a support system to back them up at each stage of the process. We will also continue to expand online sales.

Moreover, the Eco-Materials Department will focus on collaborating with other departments. In the automotive and office automation fields we see opportunities for cooperative recycling by matching the seeds of our open recycling research to the recycling needs of clients of the Advanced Polymers Department and Automotive Solutions Department. We will also study the development of epoxy resins for our own customers in the construction and civil engineering industries in cooperation with the Electronics businesses.

TURNING WISDOM INTO BUSINESS

Pluswood has gained an excellent reputation through its use in famous hotels, hospitals, nursing homes and other facilities. It is recognized by professionals for its flexibility of design and maintenance-free qualities and has become established in the market as a new material that goes beyond wood and plastic. As a result, in fiscal 2004 business began to expand beyond isolated projects to include repeat clients and standardized use. One example was a nationwide condominium project targeting elderly people. The Kyoto Protocol came into force in February 2005, and we believe full-fledged demand for eco-materials will emerge as calls to reduce CO2 emissions increase. As such, we expect recognition of Pluswood as a valuable new eco-material will grow in the future.



Electronic Chemicals Department

The Electronic Chemicals Department produces materials, chemicals and equipment used in the manufacture of semiconductors, liquid crystal and electronics components, and provides related system solutions to manufacturers in those industries. We are actively working to expand our overseas operations in China, Taiwan, Singapore and Southeast Asia, while creating a highly profitable business that integrates both manufacturing and trading.



Tomitaka Ito
GM, Electronic Chemicals Department



Strategies and Results

Strong performance in the semiconductor and liquid crystal industries during the first half of fiscal 2004 offset a sharp drop in prices during the second half caused by oversupply and production adjustment in the liquid crystal industry and a period of slow sales of digital home electronics. As a result, we were able to achieve the goals of WIT21.

Sales of businesses centered on Nagase ChemteX's formulated epoxy resin were almost flat, but overall sales increased, supported in part by acquisition of new business in China aimed at the heavy electrical machinery industry. In the photolithography chemicals business, which supplies products and management systems for the upstream production processes of liquid crystal and semiconductors, a large increase in sales to Taiwan and other overseas locations centered on equipment and products manufactured by Nagase Group companies drove overall sales upward.

The Electronic Chemicals Department works together with eight consolidated subsidiaries to offer manufacturing capabilities in addition to trading company functions. To fulfill one of the basic strategies of WIT21, which is to set ourselves apart from competitors by creating a thoroughly customer-oriented business, the Nagase Group is developing technologies in Japan and expanding its production bases in Asia in response to the shift of customers' production bases overseas.

Nagase ChemteX (Wuxi) Corp., a manufacturer of formulated epoxy resins in China that began operating commercially in 2003, achieved net monthly operating profit in fiscal 2004. It is increasing production capacity and expanding its business to become the leading manufacturer of formulated epoxy resins in China. Nagase Finechem Singapore (Pte) Ltd., which in 2002 began commercial-scale production of chemicals used in manufacturing semiconductors and LCD panels, is working to realize profits quickly by focusing on the domestic chemical recycling business in Singapore. Nagase Engineering Service Korea Co., Ltd. has begun local production and marketing of semiconductor and liquid crystal equipment in Korea, joining Nagase CMS Technology, Ltd., which markets the same products in Japan. Initial operations have gone smoothly and the company has already gained a good reputation among local customers.

In Japan, the Electronic Chemicals Department is currently developing a business model that emphasizes effective joint development and marketing through partnerships with manufacturers that possess specialized technologies. In April 2005, we formed a tie-up with derivatives manufacturer Silecs, Inc. in the United States for the production and sale of its products in Japan. We expect this tie-up to enhance the Nagase Group's ability to offer high-level solutions to Japanese semiconductor manufacturers.

Future Direction

During fiscal 2005, the final year of WIT21, the Electronic Chemicals Department will continue to work toward increasing profits centered on overseas operations we have invested in as well as our domestic niche market businesses. We will strive to enhance stability of raw materials supply even when products are in short supply by establishing closer ties with reputable chemical manufacturers and other business partners with which we have developed long relationships through the Nagase Group's broad product offerings. In addition, we will continue to concentrate on developing products for high-value-added niche markets in the semiconductor and liquid crystal fields by seeking out and promoting alliances with such customers and promising venture businesses. Moreover, we will work to expand our business by reinforcing our role as an information source for upstream and downstream business partners to provide customer satisfaction as only Nagase can.

In-house organizational changes in April 2005 clarified the emphasis on the Electronic Chemical Department's position as a manufacturer. As a result, our role of transmitting and sharing information with other departments on market trends and customers needs has become larger. We intend to actively establish a cooperative business structure, which we view as a growing departmental responsibility.

TURNING WISDOM INTO BUSINESS

Nagase CMS Technology researches, develops, designs and manufactures liquid crystal manufacturing equipment, primarily production control equipment used in the manufacture of developers. Sales are growing strongly. In 2004, liquid crystal manufacturers in Taiwan, China, Japan and other countries around the world purchased such equipment to increase capacity. Nagase CMS Technology products accounted for more than 90 percent of sales in the area of manufacturing equipment for developers. Nagase Engineering Services Korea, a manufacturing and marketing company established in Korea to expand high-value-added and highly profitable business, is also performing well. These two companies are responding to strong demand and helping us establish a good reputation worldwide.



Information & Functional Materials Department

The Information & Functional Materials Department handles products in three business fields: functional materials, communication and imaging systems and electronics media. We provide products to meet market needs by leveraging the strengths of the Nagase Group centering on materials for upstream and downstream semiconductor production processes, products of Gigatec Inc., a manufacturer of components for mobile phone base stations, and Scantech, an imaging inspection system for detecting surface defects. We are gathering customer-focused information and establishing a business model that enables us to keep pace with extremely rapid technological advances in the electronics and communications industries.



Shingo Bamba
GM, Information & Functional
Materials Department



Strategies and Results

In fiscal 2004, sales of products for downstream semiconductor production processes, including Nagase ChemteX's liquid encapsulant and other high-value-added products, were substantially flat year-on-year. Sales of precision abrasives and related products grew significantly both in Japan and overseas.

In the area of communications products, which is centered on Gigatec's products and services for power amplifiers for mobile phone and personal handy-phone system (PHS) base stations, sales declined sharply year-on-year. Demand in China and other regions fell after a cycle of rapid expansion and failed to recover during fiscal 2004 despite the development of next-generation mobile phones and vigorous sales efforts. Sales of Scantech, an imaging inspection system used in the production of optical film, were relatively small in scale but exhibited solid growth.

Future Direction

The Information & Functional Materials Department was established in April 2005 to integrate the Functional Materials Division of the former Electronics First Group and the Communications & Imaging System and Electronics Media Divisions of the former Electronics Second Group. In the past, we employed a vertical organizational structure in which one person was in charge of abrasives and another in charge of insulating materials. Under the new organization, we will focus on building a business model that leverages the strengths of the Nagase Group and allows us to offer different solutions to match each customer's specific needs.

Nagase's strength lies in its unique know-how and network built up over many years in the areas of chemicals and plastics, which larger trading companies cannot match. The Information & Functional Materials Department has many reputable customers who expect much from us, and we deliver.

The number of customers entering overseas markets is also increasing. We believe Nagase can play a large role in supporting their expansion from a distribution and information standpoint.

The key to effectively implementing these initiatives is to maximize effective collaboration within and between departments. For example, semiconductors are increasingly being incorporated in automobiles with the shift towards electric and hybrid models. We expect corresponding expansion in the semiconductor market, and will therefore reinforce the establishment of new customer relationships by working together with the Automotive Solutions Department.

TURNING WISDOM INTO BUSINESS

The Communications & Imaging System Division concentrates on the sale of viewing angle inspection equipment for LCD panels. In 1995, the division began importing and selling products made by the French company ELDIM SA. As a result of these efforts, ELDIM's products have achieved a very good reputation in the LCD panel measurement industry, where they have become the de facto standard. We expect the demand for LCD panels to grow in the future, and will continue to develop products that match market needs.



Display & Electronics Components Department

Display & Electronics Components Department handles products near the downstream sector of the electronics market, including liquid crystal displays (LCDs) and organic light emitting diode (LED) assemblies and the materials, devices and optical films used in their production and processing, and operates a glass processing business.



Mitsuro Naba
GM, Display & Electronics
Components Department



Strategies and Results

The Display & Electronics Components Department is divided into two divisions: the Display Components Division and the Electronics Components Division.

Sales of display components were firm during the first half of fiscal 2004, primarily due to strong performance of optical films used in LCDs. During the second half, however, a slowdown in the liquid crystal industry resulted in lower sales, mainly to overseas markets. As a result, display component sales for the year were flat. The glass processing business, however, posted strong results.

Sales of electronics components declined due to a drop in prices for liquid crystal modules and other components. A large increase in sales of aluminium products including housing materials for mobile telephones was not sufficient to offset the decline in electronics components sales.

Because demand fluctuates greatly in the device industry, it is important to take initiatives that anticipate market trends. Consequently, we established our production base Nagase International Electronics Ltd. in March 2004 to maintain close contact with customers in the region. Its operations are progressing smoothly. The factory of Nagase International Electronics is vital to our assembly and processing facilities in South China. It forms close technical alliances with partners to provide quality-assured LCD panel assembly, optical film processing and backlight assembly. In addition, Nagase International Electronics is leveraging our ASEAN sales network to expand business.

Future Direction

In fiscal 2005, the final year of WIT21, we will concentrate on three areas.

First is our traditional business as a broker. Here we will focus on supplying optical film and liquid crystal-related components such as manufacturing devices to flat panel display (FPD) manufacturers, and increase sales by leveraging our network in Japan and overseas.

Second is the liquid crystal module business. We expect dramatic growth in demand for LCDs for televisions as the 2008 Games of the XXIX Olympiad in Beijing draw near. In anticipation of this, we will work to increase sales of LCDs to assembly manufacturers by enhancing marketing activities including establishing sales channels.

Third is our assembly and processing business. In addition to Nagase International Electronics, we plan to establish assembly and processing facilities in Taiwan, Korea and other regions in China.

Looking ahead, we intend to pursue collaboration further, including forming tie-ups with Nagase's local operations in Taiwan, China, Korea, Singapore and other countries, and exchanging information on certain fine process technologies with the Electronic Chemicals Department.

TURNING WISDOM INTO BUSINESS

Toshiba Matsushita Display Technology Co., Ltd., which we supply with optical film, presented Nagase with its 2004 Best Supplier of the Year award in recognition of our outstanding capabilities. Toshiba Matsushita Display Technology, a joint venture of Toshiba Corporation and Matsushita Electric Industrial Co., Ltd., develops, manufactures and sells LCDs.



Beauty Care Products Department

The Beauty Care Products Department manufactures and sells cosmetics, health foods and beauty foods for the consumer market. Our philosophy is to contribute to the creation of a beautiful, healthy and prosperous society by providing safe, high-quality products and services that enhance beauty inside and out. Products are sold door-to-door throughout Japan by our team of 40,000 salespeople. We also operate beauty salons across the country that offer enhanced counseling services using state-of-the-art skin analyzers.



Makoto Ono
Executive Officer
Beauty Care Products Department

Strategies and Results

During fiscal 2004, we revitalized the door-to-door sales network with Nagase Beauty Care Co., Ltd. as the core, and focused on sales activities tailored to each region where we do business. Aggressive launches of new skin care products yielded favorable results, but overall sales were flat due to weaker performance of established products.

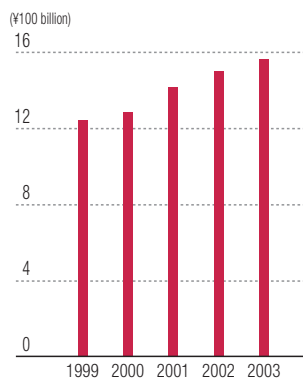
Maximizing customer contact and satisfaction are vital to success in the door-to-door sales market. Customers are more likely to purchase products if they are able to test them out and talk to salespeople. We are therefore shifting the venue of customer contact from customers' homes to beauty salons. In addition to the 25 office-salons operated by Nagase Beauty Care throughout Japan, door-to-door sales managers are establishing salons in their own homes. Over the past several years, we have focused on assisting in the expansion this home salon network by providing beauty care devices, signs and other necessary equipment, as well as technical support including training in skin counseling and facial care. As a result of these efforts, the number of home salons has grown steadily to 135 locations.

Cosmetics developed by Nagase containing rosemary extract are the main products sold by this business. During fiscal 2004, we undertook development with external research institutions and the Nagase R&D Center and aggressively launched new products. In particular, we added Ecolfie-N to our basic rosemary extract cosmetics to establish a new prestige lineup for customers seeking the anti-aging powers of rosemary. To further strengthen the rosemary – Nagase connection, we undertook an aggressive advertising campaign based on the catch phrase "The blessings of rosemary, for your skin." In addition, we introduced new beauty food products based on the concept of "skin care from the inside out." High acclaim for these new cosmetics and beauty foods helped increase sales and vitalize the beauty care business.

Future Direction

We will further strengthen the rosemary – Nagase connection by continuing to focus on in-house development of highly original products to reinforce our lineup of skin care and makeup products as well as beauty foods and health foods. We will work to enhance and expand our sales organization, educate our sales force and develop mail-order sales into a full-scale business. Through these initiatives, we will reestablish the identity of the beauty care products business and lay the foundations for future growth.

Growth of Health Food Market



TURNING WISDOM INTO BUSINESS

Launched in September 2004, Ecolfie-N is a lineup of basic cosmetics made from rosemary developed to counter aging. Skin cells are initially resistant to the effects of aging. Over time, however, this power weakens. Ecolfie-N works to revitalize skin cells and restore resilience. Nagase's established whitening essence line Cella White Essence V and Sanage AW Excellent, a highly effective wrinkle treatment, both make use of the natural powers of rosemary. With the addition of Ecolfie-N, customers can now enjoy the combined benefits of rosemary extract offered by a full lineup of basic cosmetic products.



Medical Care Products Department

The Medical Care Products Department handles a range of medical information systems and clinical diagnostic systems. Business is based primarily on the sale of medical equipment and reagents to medical institutions. We focus sales efforts on high-growth products by leveraging our accumulated know-how and network in the medical industry that we have been building for more than thirty years in the field of clinical diagnostics.



Toshiaki Nishio
GM, Medical Care Products
Department



Strategies and Results

A challenging operating environment persisted in fiscal 2004 as medical institutions merged in the face of curbs on medical costs, reducing our customer base. As a result, sales were largely flat in clinical diagnostic reagents and medical information systems and clinical diagnostic systems for medical institutions, and radiation measurement businesses related to radiation safety.

During the period, we restructured our operations and those of group company Nagase Medix Co., Ltd. under a policy of selective concentration to clarify each company's function and increase efficiency. We established a new structure under which the Medical Care Products Department handles development and overseas business while Nagase Medix concentrates on operations in Japan through a regionally focused sales network. In addition, we began adding trading company functions to increase the efficiency of investment. In contrast to our former approach as a manufacturer where we sold in-house developed products through wholesale channels, we consigned production to another manufacturer.

In the field of medical information systems and clinical diagnostic systems, we worked to increase sales of new types of analytical instruments for measuring such things as sedimentation and allergens while emphasizing cost consciousness in our sales activities.

In the field of microbiological testing, we commenced development of a new 96-hole imaging microplate reader and 192-hole plate for antibiotics susceptibility tests. We plan to launch them commercially in autumn of 2005.

Three years ago, we commenced sales of patient identification wristbands. Unlike our core line of high-priced medical equipment products, which are sold on a spot basis, wristbands are consumables. Once a sales account is established, the probability of reorders is high. We can therefore expect this product to contribute to stabilizing our business. Customer feedback has been very positive and sales are growing steadily.

Future Direction

Under our new operating structure, we will work to strengthen domestic sales and establish a business strategy focused on offering affordable products to the many medical institutions facing the need to cut costs. In addition to developing our own original products, we will search for products with high future potential and acquire distribution rights. We will also work to develop business outside of Japan through cooperation with other Nagase departments currently active overseas.

TURNING WISDOM INTO BUSINESS

Our patient identification wristband was created in response to heightened awareness among medical institutions of the need to prevent medical accidents. Developed through a series of refinements in materials and design, it is highly acclaimed for both functionality and comfort. The wristband can be used alone or with a bar code attached to interact with an electronic medical record system. We are currently bundling this product with medical information systems, and plan to study the viability of selling it through regular sales channels as well as direct marketing and other new channels, both domestic and overseas.



Nagoya Branch Office

Most Japanese domestic automakers and related component manufacturers are concentrated in Japan's Chubu district, which centers on Nagoya. As our local base of operations in this district, the Nagoya Branch Office plays an important role in our automotive businesses, one of the strategic areas of WIT21. As other trading companies pull out of chemicals and plastics, we are working to develop businesses centered on these areas by deploying the combined technological capabilities and manufacturing and R&D strengths of the Nagase Group and our local network of contacts in the Nagoya region.



Masami Takeuchi
Executive Officer
GM, Nagoya Branch Office



Business Outline

Approximately 60 percent of the Nagoya Branch Office's sales are automobile-related. We deal directly with Toyota Motor Corporation and other automakers as well as their group companies and affiliated component manufacturers. In addition, we handle non-automotive products and materials including urethane and other performance chemical products, coating materials and electronics-related products. We are also expanding the scope of our operations, and now undertake export functions that were formerly the responsibility of the Tokyo Head Office.

Businesses at the Nagoya Branch Office are divided into three divisions: chemicals, plastics and electronics. Staff of each division exchange information and approach common customers in a coordinated fashion in an effort to maintain a cooperative, horizontal organizational structure. Until the establishment of the Sales Division in the Nagoya Branch Office in 2003, the organizational structure was vertical. Personnel in charge of each business area reported directly to their respective superiors at the Tokyo Head Office. The launch of the Nagoya Sales Division, however, established the current cooperative framework that has contributed to increasing sales in the strategic automotive business area to approximately 60 percent of the Nagoya Branch Office sales. At the same time, higher-echelon support from the Tokyo Head Office continues to be important to our operations. We will continue to expand our businesses while maintaining a balance between horizontal and vertical organizational approaches.

Current Activities

For many years, the Nagoya Branch Office has focused on providing procurement management services to automotive component manufacturers. As a procurement agent, the Nagoya Branch Office is involved in supply chain management. We have established a stock point and make deliveries according to a kanban, or just-in-time, system. This is different from a direct shipment system where items are shipped directly from the production source on an order-by-order basis.

We are also focusing on the export of goods and services to meet the diverse needs of automotive component manufacturers who are shifting production overseas, particularly small and medium-sized companies. Compared with Japan, fewer established distribution networks exist overseas, and the potential for our customers to expand their businesses is growing.

We established a new business in the non-automotive area by developing new products through the coordination of several different companies in industries handled by our chemical division and assigning production to the Nagase Group's manufacturing companies. In addition to delivering materials and chemical products to customers, we are expanding our business by cooperating with customers in various ways including selling their plastic products.

Future Direction

Providing new materials solutions is indispensable to expansion of the automotive business. The key to achieving this will be making use of the network of contacts we have developed over many years in the Nagoya district to keep abreast of current customer needs and the latest market trends, and to respond as swiftly as possible through cooperation among all departments. In the automotive industry, a shift toward hybrid and fuel cell powered automobiles has begun. We are responding to this through cooperative efforts among our chemicals, electronics and plastics divisions, as well as collaboration with the Nagase R&D Center.

Overseas, we will build the foundations of a service business by coordinating with other departments and maintaining and enhancing our distribution bases. In this way we will expand our operations beyond our traditional role of procurement agent.

TURNING WISDOM INTO BUSINESS

Increasing environmental awareness has created a demand for automotive interiors that meet regulations concerning volatile organic compounds (VOCs). Employing patented technologies of our subsidiary Kyoraku Co., Ltd., we developed a flooring material for hybrid automobiles made by a company at the forefront in this area. A combination of carpeting and plastic, the material is highly acclaimed for meeting VOC emission standards and its superior design. The hybrid automobiles are selling well around the world, and we anticipate that material sales will increase in the future.



Bases for Growth in the Four Strategic Areas of WIT21: Nagase ChemteX and Nagase R&D Center

As the only chemical manufacturer in the Nagase Group, Nagase ChemteX Corp. handles production for all Group companies. Its strengths lie in its foundations as a manufacturer of original formulated epoxy products with more than thirty years' experience in production technologies for industrial and electronics materials. Nagase ChemteX develops high-value-added businesses focused on distinctive products in the fields of electronics, life sciences and performance chemicals.

Nagase ChemteX



Kyoichi Zushi
Director and Executive Officer
President, Nagase ChemteX
Corporation

A handwritten signature in black ink, appearing to read 'Kyoichi Zushi'.

Nagase ChemteX holds the central role for production in the Group, based on our strengths in organic synthesis and formulated product technologies, application development capabilities and strong relationships with Nagase Group customers. We develop technologies, as well as produce, supply and implement quality assurance, for chemicals including plastics. In fiscal 2004, earnings grew mainly as a result of strong performance in Nagase's electronics businesses.

Production Structure

Nagase ChemteX's domestic production bases are concentrated at Harima and Fukuchiyama. The Harima Plant mainly produces electronics and performance chemicals using organic synthesis technologies and epoxy and other compounding technologies. The Fukuchiyama Factory specializes in producing pharmaceutical intermediates and enzymes using biotechnology centered on enzymes and organic synthesis technologies. In fiscal 2005, we are planning to further concentrate operations at these two locations to establish a more efficient production structure.

Nagase ChemteX has overseas production bases in Singapore, China and Taiwan. At Nagase Finechem Singapore (Pte) Ltd., which handles manufacturing and recycling of chemicals used in the electronics field, earnings are improving. We expect operations to achieve a net profit during fiscal 2005. The company is working in various ways to increase its capacity utilization rate including expanding its recycling business. In China, our manufacturing subsidiary Nagase ChemteX (Wuxi) Corp., established through a joint venture with Nagase & Co., Ltd. to produce formulated epoxy resins, continues to operate at full capacity. We expect to achieve profitability during fiscal 2005, the subsidiary's second year of operation, by expanding production facilities and increasing local market share, and plan to develop business over the medium term. In Taiwan, the Nagase ChemteX Taiwan Branch is operating at full capacity and working to improve profitability. In Europe, we are undertaking contract production with local partners.

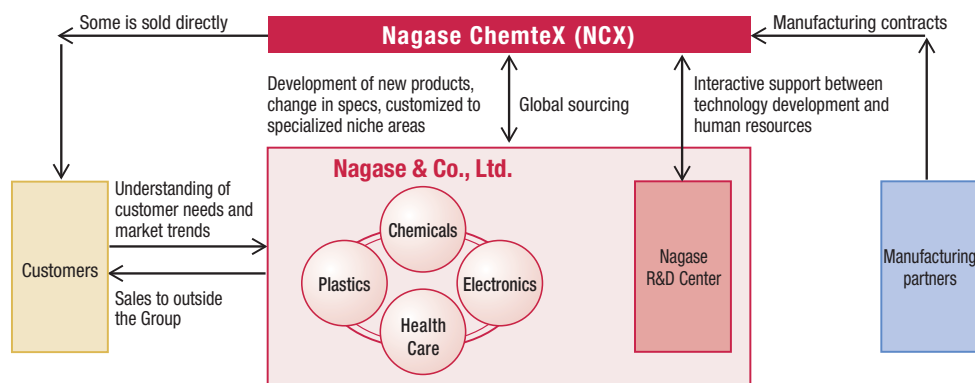
R&D Structure

Nagase ChemteX cooperates closely on research and development with the Nagase R&D Center, the research and development organization for Nagase. We dispatch research and development staff in the life sciences field to the Nagase R&D Center to conduct joint research by forming teams with researchers there. In fiscal 2004, we continued to achieve solid results through cooperative R&D activities. For example, we received the Chemical Society of Japan Award for Technical Development for 2004. The Harima Plant is central to research and development of electronics and other industrial materials.

Our numerous research themes are based on a keen understanding of customer needs gained through the synergies created between our R&D and trading company functions.

Electronics

Our electronics business focuses on the fields of microelectronics, organic devices, semiconductors and electronics components, and offers original products centered on liquid encapsulant for semiconductors, adhesives for optical devices related to image sensors and materials for organic electroluminescence. We will continue to concentrate on developing advanced products and work to achieve their early commercialization.



Life Sciences

In life sciences, Nagase ChemteX does business in two fields: pharmaceutical intermediates and enzymes. Production of pharmaceutical intermediates is primarily conducted under contract and is specialized in areas that make use of our specialized technologies and those of the Nagase R&D Center. At the Fukuchiyama Factory, we are increasing utilization of cGMP-compliant production facilities for investigational drugs, low-volume drugs, pharmaceutical intermediates and other products.

In the pharmaceuticals market, a supply imbalance has arisen due to factors including a decrease in the number of new global drugs, lower National Health Insurance (NHI) prices for drugs and the emergence of Chinese, Indian and other new suppliers. Competition is also intensifying in contract production. To strengthen our competitive edge, we are concentrating on high-added-value products that combine our technological strengths in the areas of organic synthesis and biology.

In the industrial enzymes field, we went beyond merely selling enzymes to producing and selling useful fermented products that use our fermentation technologies. We are currently focusing on entering the market for phospholipids by using a phospholipid-degrading enzyme to create food emulsifiers, raw materials for pharmaceuticals and ingredients for a rapidly growing array of health foods. At the Fukuchiyama Factory, which specializes in pharmaceutical intermediates and enzymes, we are aiming at increasing synergies between these two product areas.

Performance Chemicals

Over the past several years, Nagase ChemteX has been concentrating on original in-house products: fluorene, polysilane and Denatron. Highly transparent and possessing excellent electrical properties, these high-value-added chemical substances can be used in revolutionary applications. Sales of fluorene, which is mainly used as a material for LCDs, continued to increase steadily in fiscal 2004 due to rapid growth in the large-screen LCD television market. In the future, we plan to concentrate production of performance chemicals and capital investment in the Harima Plant to increase our share of production, especially of high-value-added and functional materials.

Structural Materials

In the structural materials business, Nagase ChemteX provides urethane, UV cure acrylic and materials such as tooling resin for master molds and prototype production in the automotive industry. We also offer a range of high-strength adhesives for the electrical, automotive, machinery and many other industries. All are extremely high-value-added products. In fiscal 2005 we plan to further increase our focus in this area.

TURNING WISDOM INTO BUSINESS

In March 2005, Nagase ChemteX received the Kinki Chemical Society's 2004 Chemical Technology Award for developing a UV cure adhesive for organic electroluminescent (EL) displays. This award, which is given for the industrialization of substances through chemical research and development and for outstanding contributions to industrialization, recognizes our accumulated efforts and achievements. We will continue to focus on developing high-added-value products for the liquid crystal industry. In fiscal 2005, we plan to undertake facility enhancements toward producing liquid crystal intermediates.



Nagase R&D Center

Under its policy of serving the Nagase Group as the driving force behind R&D in the twenty-first century, the Nagase R&D Center fulfils three basic functions: in-house creation of research themes; identification of market needs; and providing solutions for customers' problems.

The R&D Center also helps strengthen Nagase ChemteX Corp.'s organic synthesis technology and biotechnology (fermentation and enzyme technologies) and focuses on creating new business themes based on these unique technologies and products.

Outline of Nagase R&D Center's Basic Functions

① In-House Creation of Research Themes

The Nagase R&D Center not only looks at market needs but also proposes business themes by developing the seeds of technologies. To meet such creative requirements, the Nagase R&D Center collaborates with universities, public research institutes, and the research organizations of other companies as well as working on its in-house research programs. Recent results include the development of a practical asymmetric molecular catalyst in collaboration with Kyoto University. The patented catalyst technology, which we have already commercialized, speeds the otherwise difficult processes of producing and supplying unnatural amino acids.

② Identification of Market Needs

Nagase's research and development is exploited systematically for identification of market needs. We have established our high-level technological capabilities as the Nagase brand by making our R&D achievements public through patent applications, presentations at academic conferences, lectures and article submissions. This culminates in the development of high-value-added businesses that other companies find difficult to tackle.

③ Providing Solutions for Customers' Problems

Nagase provides customers with new and improved manufacturing processes, develops original products that are available only through its proprietary manufacturing processes, and helps customers commercialize their developmental products after identifying new added value through analysis and customer evaluation. Nagase maximizes its superior position as a trading company with production capabilities by providing solutions that make use of the capabilities of the Nagase Group at every stage of business. For example, the Nagase R&D Center works with Nagase ChemteX on process development while Nagase's sales departments procure raw materials.

Results of Research and Development

In the area of organic synthesis, the Nagase R&D Center developed a practical asymmetric molecular catalyst. Collaborating with Nagase ChemteX, it also established a production method for pharmaceutical intermediates with complicated structures, the synthesis of which required more than ten-step chemical reactions, and succeeded in industrializing those synthetic processes at the pilot-scale pharmaceutical production facilities at the Fukuchiyama Factory.

In the area of applied microbiology, the Nagase R&D Center succeeded in developing epoxide hydrolase, an effective hydrolytic enzyme for the stereo-selective production of chiral tertiary alcohols. It also succeeded in developing an engineered *Bacillus* strain that can produce the enzyme on a commercial scale and a method to immobilize *Bacillus* cells that paved the way for practical use of the enzyme.

The Nagase R&D Center also developed a technology platform for microbial reduction that should enable stereo-selective production of chiral secondary alcohols. This will enhance our ability to offer solutions to pharmaceutical manufacturers and accelerate relevant contract research and manufacturing.

In collaboration with Nagase ChemteX, which is involved in microbial technologies, the Nagase R&D Center reinforced the lineup of phospholipid-related products, Nagase's core biochemical products. We will continue to enhance such collaborative research and development efforts in expanding those particular product lines.

In the area of beauty care, we have developed functional health food ingredients and skin care products with an emphasis on anti-aging. In particular, we are focusing R&D on exploring the anti-aging effect of rosemary extract to further strengthen our own brand.



Core Technologies and Main Research Themes at the Nagase R&D Center

- ① Development of chiral technologies that feature organic synthesis and biotransformations using microorganisms or enzymes; in particular, development of industrial production processes for fine chemical products including pharmaceuticals, pharmaceutical intermediates and liquid crystal intermediates
- ② Technologies for isolation and biological assay of natural products to develop new ingredients for functional health foods and cosmetics
- ③ Collaboration with Nagase ChemteX in helping the Group to develop enabling core technologies for life sciences, such as manufacturing technologies for chiral products, genetic engineering, microbial screening, microbial metabolic pathway engineering, and discovery technologies to identify new active principles in natural resources
- ④ Others: Analysis and evaluation technologies (pharmaceutical analysis and plastic additives development) and response to regulatory affairs

Progress under WIT21

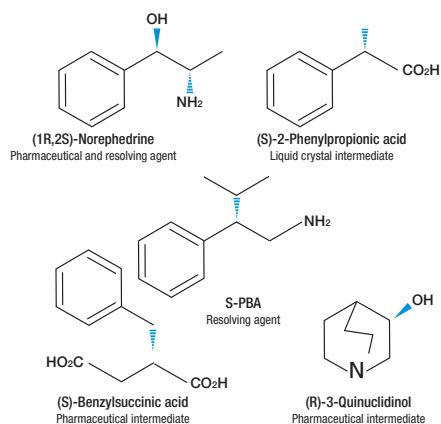
The strategic objectives of the Nagase R&D Center are five-fold:

- Focus on developing the select technologies that will help Nagase's operations in the life sciences business
- Use the Nagase Group's R&D resources to full advantage through collaboration with Nagase ChemteX
- Collaborate with universities and other R&D organizations and take advantage of public funds to strengthen enabling core technologies
- Build up a brand strategy aimed at the acquisition of research contracts
- Develop core technologies to support Nagase ChemteX and assist in the launch of new products and the development of manufacturing processes to increase the Group's profits

In fiscal 2004, the Nagase R&D Center achieved the major target of attaining "independence as a core entity responsible for life sciences R&D." As a collaborative venue for Group companies, it now functions as a technology platform for the life sciences business. At the same time, high evaluations of its R&D capabilities by third parties have led to winning a technology award and public funding. Moreover, vigorous efforts to submit articles and make presentations at academic conferences have yielded concrete results including an increase in business inquiries into exploiting Nagase's technologies.

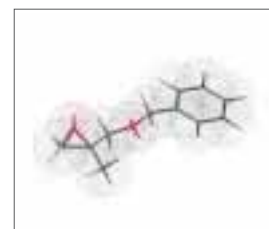
In fiscal 2005, the final year of WIT21, the Nagase R&D Center will continue developing enabling core technologies, further increase research theme creation capabilities and strengthen initiatives to approach potential customers with research proposals, and will strive to move from being independent to being depended on. Finally, through collaboration with business departments within Nagase and Group companies, the Nagase R&D Center will continue to pursue the creation and sharing of technological development concepts.

Representative Products Developed at the Nagase R&D Center



TURNING WISDOM INTO BUSINESS

The R&D and planning capabilities of the Nagase R&D Center are highly regarded. In fiscal 2004, it received two public research grants, one from the New Energy and Industrial Technology Development Organization (NEDO) and the other from the Hyogo COE Program. The first is to cover research for the period from 2004 to 2006 and is focused on developing versatile microbial reduction processes as exemplified by the production of pharmaceutical intermediate (R)-3-quinuclidinol. The second was to help fund research on developing a technology platform for the practical application of epoxide hydrolase in fiscal 2004. The Nagase R&D Center also received the 57th Science and Technology Award for 2004 from the Kinki Chemical Society in recognition of its process development for manufacturing (R)-3-quinuclidinol through the combined use of bio- and chemocatalysts.



Six-year Summary

Nagase & Co., Ltd. and Consolidated Subsidiaries
(Years ended March 31)

	Millions of Yen						Thousands of U.S. Dollars (Note)
	2005	2004	2003	2002	2001	2000	2005
For the Year:							
Net Sales	¥ 575,636	¥ 533,301	¥ 503,688	¥ 490,583	¥ 559,372	¥ 568,293	\$5,360,240
Gross Profit	61,960	53,494	51,899	46,976	55,140	55,287	576,971
Operating Income	13,256	10,244	8,433	1,673	7,752	8,147	123,440
Net Income (Loss)	10,384	7,010	4,186	(2,097)	4,945	6,371	96,694
At the Year-end:							
Total Assets	¥ 335,290	¥ 310,793	¥ 284,800	¥ 300,073	¥ 353,776	¥ 316,657	\$3,122,175
Shareholders' Equity	167,092	156,210	140,944	144,176	153,498	134,838	1,555,943
Interest-Bearing Debt.....	14,019	16,417	16,578	16,677	23,878	26,681	130,552
Yen							
Per Share Data:							
Net Income (Loss)	¥ 81.00	¥ 54.69	¥ 31.72	¥ (15.39)	¥ 35.28	¥ 44.24	\$ 0.75
Shareholders' Equity	1,311.37	1,227.82	1,107.54	1,082.15	1,104.80	952.67	12.21
Cash Dividends.....	10.00	9.00	8.00	8.00	8.00	8.00	0.09
U.S. Dollars (Note)							
(%)							
Ratios:							
Ratio of Gross Profit to Sales.....	10.8	10.0	10.3	9.6	9.9	9.7	
Total Asset Turnover (Times).....	1.8	1.8	1.7	1.5	1.7	1.8	
Return on Assets (ROA)	3.2	2.4	1.4	(0.6)	1.5	2.1	
Return on Equity (ROE).....	6.4	4.7	2.9	(1.4)	3.4	4.9	
Shareholders' Equity Ratio	49.8	50.3	49.5	48.0	43.4	42.6	
Interest Coverage Ratio (Times)	31.0	25.7	22.9	5.8	11.9	13.5	
Debt to Equity Ratio (Times).....	0.08	0.11	0.12	0.14	0.16	0.22	
Number of Employees	3,203	2,884	2,790	2,718	2,952	2,954	

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.39=U.S.\$1, the approximate Tokyo exchange market rate as of March 31, 2005.

Management's Discussion and Analysis of Operations and Finances

Overview of Results

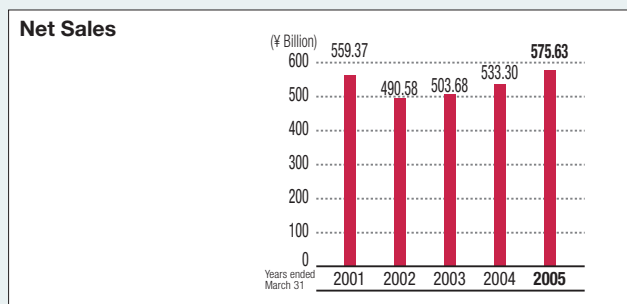
The Nagase Group imports and exports a diverse array of products and engages in domestic transactions, with Nagase & Co., Ltd. (the "Company" or "Nagase") at its center. In addition, the Nagase Group manufactures and sells products and provides services. These businesses are conducted by 103 related companies, consisting of 71 subsidiaries and 32 affiliates.

The scope of consolidation includes 38 subsidiaries and nine affiliates accounted for by the equity method. The Company added eight subsidiaries to the scope of consolidation during the fiscal year ended March 31, 2005, because these subsidiaries had become increasingly material to consolidated results. The newly consolidated subsidiaries were: Shanghai Hua Chang Trading Co., Ltd.; Nagase Engineering Service Korea Co., Ltd.; Nagase CMS Technology Co., Ltd.; Nagase Trade Management Co., Ltd.; Nagase Philippines Corp.; Shanghai Nagase Trading Co., Ltd.; P.T. Nagase Impor-Ekspor Indonesia; and Nagase Korea Corp. In addition, Shizuoka Nagase Co., Ltd., merged into another subsidiary, Nagase Chemical Co., Ltd. in April 2004.

Net Sales

During the year ended March 31, 2005, firm internal demand and expanded exports resulting from favorable global economic conditions supported the Japanese economy. Despite a slow-down in certain sectors in the second half of the fiscal year, overall conditions were favorable. Prices rose in the materials market because of the increase in the price of crude oil. The market for materials related to liquid crystal displays (LCDs), however, entered a correction phase in which prices decreased due to concerns about excess supply.

In these circumstances, we made efforts to improve our business performance. As a result, consolidated net sales increased 7.9 percent year-on-year, or ¥42.33 billion, to ¥575.63 billion due to growth in both domestic and overseas sales. Domestic sales increased 4.0 percent year-on-year, or ¥14.15 billion, to ¥363.71 billion as plastics sold well due to improving conditions in the materials market, together with stable sales in the Chemicals business. Overseas sales increased 15.3 percent year-on-year, or ¥28.18 billion, to ¥211.92 billion due to favorable sales of dyestuffs in the Chemicals business, in addition to expansion of the functional resin and automotive-related businesses in North America as well as China and elsewhere in Asia in the Plastics business. As a result, overseas sales accounted for 36.8 percent of net sales, compared with 34.5 percent in the previous fiscal year.



Gross Profit and Selling, General and Administrative Expenses

Cost of sales increased 7.1 percent year-on-year, or ¥33.86 billion, to ¥513.67 billion. The reason cost of sales increased at a lower rate than net sales was a reduction in the costs of service companies. As a result of the increase in net sales, gross profit increased 15.8 percent year-on-year, or ¥8.46 billion, to ¥61.96 billion. The ratio of gross profit to net sales increased 0.8 percentage points to 10.8 percent.

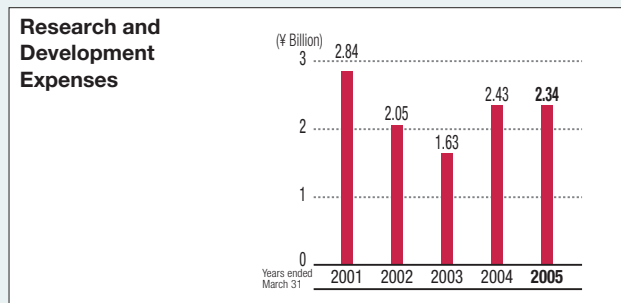
Selling, general and administrative (SG&A) expenses increased 12.6 percent year-on-year, or ¥5.45 billion, to ¥48.70 billion. The ratio of SG&A expenses to net sales increased 0.4 percentage points to 8.5 percent.

Research and Development Expenses

The Nagase Group integrates its comprehensive strengths to engage in research and development with the objective of developing new products and sharing technological information.

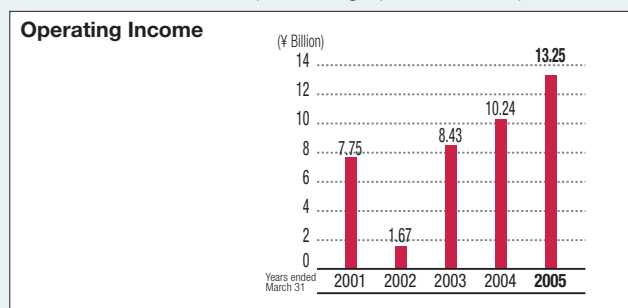
The Nagase R&D Center develops products based on user needs and conducts applied research. Current research and development themes include research of fermentation technology using chiral synthesis technology and enzymes for applications in pharmaceutical intermediates, and the use of natural ingredients in developing cosmetics and health foods. Customers hold the Nagase Group's technology development capabilities in high regard.

In addition, the Nagase Group deploys a precise understanding of customer needs acquired from its marketing network and its extensive portfolio of organic synthesis and compounding technologies in developing and expanding sales of products such as plastics additives and coating materials. The Nagase Group uses the many patents it has obtained from its research and development activities to increase earnings. For the year ended March 31, 2005, research and development expenses totaled ¥2.34 billion, compared to ¥2.43 billion in the previous fiscal year.



Operating Income, Net Other Expenses and Net Income

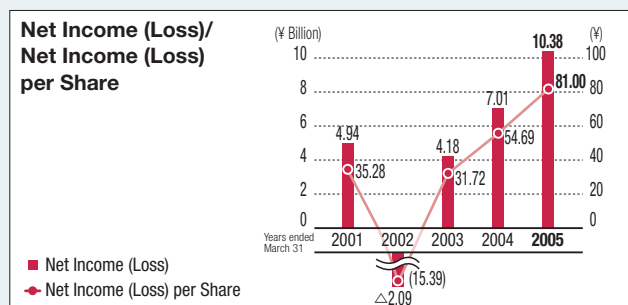
Operating income increased 29.4 percent year-on-year, or ¥3.01 billion, to ¥13.25 billion, as a result of the increase in the gross profit margin. The ratio of operating income to net sales increased 0.4 percentage points to 2.3 percent.



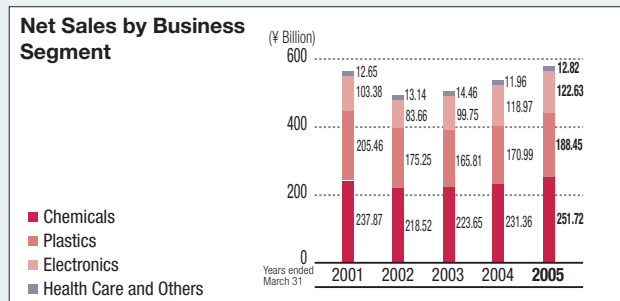
Net other income totaled ¥4.30 billion, compared to ¥1.47 billion for the previous fiscal year. The interest coverage ratio, defined as the sum of operating income and interest and dividend income divided by interest expense, improved to 31.0 times from 25.7 times for the previous fiscal year.

Gain on sales of investments in securities increased to ¥1.54 billion from ¥0.72 billion in the previous fiscal year, while loss on sales of investments in securities decreased to ¥0.00 billion from ¥0.38 billion for the previous fiscal year. Loss on devaluation of investments in securities increased to ¥0.42 billion from ¥0.21 billion in the previous fiscal year. Net gain on sales of property and equipment increased to ¥1.96 billion compared to ¥0.52 billion in the previous fiscal year.

As a result of the year-on-year increase in net other income and improved operating profitability, income before income taxes and minority interests increased 49.8 percent year-on-year, or ¥5.83 billion, to ¥17.55 billion. Income taxes net of deferrals rose in line with the increase in income before income taxes. Net income therefore increased 48.1 percent year-on-year, or ¥3.37 billion, to ¥10.38 billion. Net income per share increased to ¥81.00 from ¥54.69 for the previous fiscal year.



Results by Business Segment



Chemicals

Segment sales increased 8.8 percent year-on-year, or ¥20.36 billion, to ¥251.72 billion. Segment operating income increased 27.2 percent year-on-year, or ¥1.14 billion, to ¥5.36 billion. In addition to increased sales of products in fields related to computer peripherals and the automotive industry, improved market conditions for materials spurred an increase in sales of general-purpose chemicals.

Sales of pigment products increased overall, with solid contributions from growth products including materials for ink and inkjet toner for printers and copying machines and materials for color filters for LCDs. Sales of chemicals for plasma displays and DVDs also increased, although sales of color former used as a material for heat-sensitive and pressure-sensitive paper and other chemicals for manufacturing paper and dyestuffs were flat.

Sales of urethane materials used in applications such as automobile seat cushions increased, centered on overseas sales. Factors including the establishment of a joint venture in China for this key area supported growth. Overseas sales also drove growth in sales of paint materials and flame-retardant additives for plastics. A solid market environment for materials supported sales of general-purpose chemicals. As a result, overall sales of these products increased.

Sales of speciality chemicals, which include surfactants and oil solutions used as raw materials for detergents and other household toiletries, increased overall due mainly to higher sales of products manufactured by Nagase ChemteX Corp., the core of our manufacturing operations.

Sales of fine chemicals, including raw materials and intermediates for pharmaceuticals and agricultural chemicals and enzymes, remained at the same level as in the previous fiscal year. A reorganization to improve profitability impacted sales of agricultural chemical-related products. Sales of pharmaceutical-related products faltered in the first half of the fiscal year but recovered in the second half, while overseas sales of enzymes for beverages and raw materials for fragrances increased.

Plastics

Segment sales increased 10.2 percent year-on-year, or ¥17.46 billion, to ¥188.45 billion due to increased overseas sales and improved conditions in the materials market. Segment operating income increased 41.7 percent year-on-year, or ¥1.26 billion, to ¥4.28 billion.

Overseas sales of engineering plastics increased substantially, as did sales of general-purpose resins. Overseas sales are a core focus in this segment, and performance remained strong in the strategic Greater China region.

Sales of plastic raw materials and products and resin processing equipment to the automotive industry expanded significantly. In addition to Japan, sales increased in China and elsewhere in Asia, supported by expansion in our sales network, and were also strong in North America and Europe. However, sales decreased at Canada Mold Technology Inc., in North America.

Sales of materials for plastics and plastic components for use in computer peripherals increased in Japan and overseas. Sales of original Nagase Group products for wood composite materials used in construction and housing also increased.

Sales of materials for plastics to the packaging and household appliance industries in Japan did not increase substantially despite improved market conditions for materials. However, sales increased at Setsunan Kasei Co., Ltd., which handles plastic coloring and compounding. Sales also increased at Totaku Industries, Inc., which manufactures various types of flexible hose for use in household appliances such as vacuum cleaners and washing machines and in industrial applications. Sales of plastic trays used in food packaging increased at Kotobuki Kasei Corp.

Electronics

Segment sales increased 3.1 percent year-on-year, or ¥3.65 billion, to ¥122.63 billion. Segment operating income increased 10.7 percent year-on-year, or ¥0.25 billion, to ¥2.66 billion. Sales of chemicals, equipment and precision abrasive materials to the LCD and semiconductor industries were firm. Lower prices in the LCD industry and a decrease in telecommunications equipment-related sales, however, restrained overall growth in sales to a slight increase.

Sales in the modified epoxy resin business, which mostly comprises products of Nagase ChemteX Corp., did not increase substantially in Japan. New customers in China's heavy electric industry, however, supported overall sales growth.

Sales of chemicals and related supply and management equipment for front-end-of-line photolithography for LCDs and semiconductors increased. Sales of equipment, centered on Nagase Group products, grew substantially in Taiwan and other overseas markets. Sales for back-end-of-line semiconductor processing applications, including high-value-added products such as liquid encapsulant, which is an area of focus for Nagase ChemteX, were about the same as in the previous fiscal year.

Sales of precision abrasive materials for processing semiconductor silicon wafers increased strongly both in Japan and overseas.

Sales of products for LCD optical film and related applications were flat year-on-year. Sales rose in the first half but decreased in the second half due to the industry slowdown, particularly overseas. LCD modules and other components were impacted by lower prices and sales decreased. However, sales of aluminum products for use in applications such as the external housing of portable electronic equipment and sales to end users of downstream products developed from LCD operations, such as DVD players and movie software, sold well but could not compensate for lower component sales.

Despite aggressive sales efforts, sales of power amps and other components used in base stations for mobile phones and PHS decreased substantially, due mainly to the completion of a demand cycle in China and elsewhere. We have already developed next-generation products, which we are energetically promoting to the market. Sales of image processing inspection equipment used in applications such as optical film manufacturing processes expanded, although the scale of the business is still small.

Health Care and Others

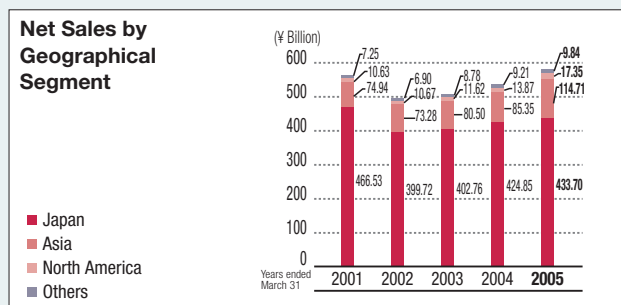
Segment sales increased 7.1 percent year-on-year, or ¥0.85 billion, to ¥12.82 billion. Segment operating income increased 80.9 percent year-on-year, or ¥0.27 billion, to ¥0.62 billion. Sales in the fields of cosmetics and health foods increased, while sales of medical care and radiation measurement products were essentially unchanged year-on-year.

In the fields of cosmetics and health foods, the Nagase Group transferred its traditional door-to-door sales functions to Nagase Beauty Care Co., Ltd. in the previous fiscal year. Sales increased as a result of sales activities tailored to particular regions.

Sales of the Medical Care Products Department, which handles reagents for clinical examinations, medical information and clinical examination systems for health care institutions and radiation measurement products related to the safe management of radiation, were approximately the same as in the previous fiscal year.

Results by Geographical Segment

Intersegment sales are excluded from net sales. Results by geographical segment differ from the domestic and overseas net sales figures discussed earlier because sales in Japan discussed below include domestic import and export transactions and the overseas transactions of Nagase Group companies domiciled in Japan. These latter transactions, however, are also included in the overseas sales discussed above.



Japan

Sales in Japan increased 2.1 percent year-on-year, or ¥8.85 billion, to ¥433.70 billion. Operating income in Japan increased 29.0 percent year-on-year, or ¥1.97 billion, to ¥8.81 billion. Conditions in the materials market improved, and sales increased in the Chemicals and Plastics businesses.

Asia

Sales in Asia increased 34.4 percent year-on-year, or ¥29.36 billion, to ¥114.71 billion. Operating income in Asia increased 61.8 percent year-on-year, or ¥1.67 billion, to ¥4.38 billion. In the Plastics business, sales increased in the Greater China region. Sales also continued to expand in the Chemicals and Electronics businesses.

North America

Sales in North America increased 25.1 percent year-on-year, or ¥3.47 billion, to ¥17.35 billion. Operating loss in North America totaled ¥0.04 billion compared to operating income of ¥0.32 billion for the previous fiscal year. In the Plastics business, sales of automotive-related plastics increased. The operating loss resulted from a loss at a subsidiary in the die business.

Others

Sales in other regions increased 6.9 percent year-on-year, or ¥0.63 billion, to ¥9.84 billion. Operating income in other regions decreased 28.2 percent year-on-year, or ¥0.04 billion, to ¥0.11 billion. In the Chemicals business, sales of pigment-related products increased in Europe. Operating income decreased due to higher SG&A expenses.

Profit Sharing Policy

Dividend Policy

The Nagase Group's basic policy is to further enhance its corporate structure and earnings capabilities to continue generating steady dividends for shareholders.

While maintaining steady dividends, Nagase reflected its solid performance by increasing cash dividends for the fiscal year ended March 31, 2005 to ¥10.00 per share, in response to the support of its shareholders. Cash dividends for the previous fiscal year were ¥9.00 per share, consisting of an ordinary dividend of ¥8.00 per share and a commemorative dividend of ¥1.00 per share. As a result, the dividend payout ratio was 21.4 percent.

The Nagase Group intends to use internal reserves effectively to enhance future business activities and management foundations.

Stock Option System

In the fiscal year ended March 2003, the Nagase Group introduced a stock option system aimed at boosting the motivation and morale of Group employees in order to improve their performance, and at further enhancing the Company's corporate value by aligning the interests of the Group with those of shareholders. During the year ended March 31, 2005, the Nagase Group issued rights to purchase new shares in the form of stock options to directors, auditors, executive officers and Company managers, as well as to directors and individuals with an equivalent title at subsidiaries.

Liquidity and Financial Position

Cash and cash equivalents as of March 31, 2005 decreased 18.2 percent from a year earlier, or ¥3.81 billion, to ¥17.21 billion. Despite an increase in net income to ¥10.38 billion, net cash provided by operating activities totaled ¥1.71 billion. Increases in notes and accounts receivable and inventories resulting from higher net sales used cash totaling ¥20.85 billion. Net cash used in investing activities totaled ¥1.41 billion as the Nagase Group used cash provided by operations to purchase property and equipment and investments in securities, and to decrease short-term loans receivable. Net cash used in financing activities totaled ¥5.11 billion due to redemption of bonds and payment of cash dividends.

From the fiscal year ended March 31, 2005, the Nagase Group applies accounting standards and guidelines for impairment loss on fixed assets. As a result, income before income taxes and minority interest decreased by ¥0.31 billion.

Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased 73.3 percent year-on-year, or ¥4.71 billion, to ¥1.71 billion. Net income increased ¥3.37 billion year-on-year to ¥10.38 billion. However, the increase in net sales resulted in the use of cash totaling ¥13.81 billion to fund an increase in notes and accounts receivable, and the use of cash totaling ¥7.02 billion to fund an increase in inventories. This was offset by an increase of ¥10.73 billion in notes and accounts payable. Gain on sales of property and equipment was ¥1.95 billion, compared with ¥0.52 billion in the previous fiscal year, and depreciation and amortization was essentially unchanged year-on-year at ¥3.07 billion.

Net Cash Used in Investing Activities

Net cash used in investing activities decreased 16.4 percent, or ¥0.28 billion, year-on-year to ¥1.41 billion. Purchases of property and equipment more than doubled to ¥6.53 billion from ¥3.05 billion for the previous fiscal year, reflecting aggressive investment in growth opportunities. The Nagase Group generated net proceeds from sales of investments in securities totaling ¥1.97 billion to help fund increased purchases of property and equipment. In addition, an increase in short-term loans receivable, net contributed ¥1.10 billion to cash flow.

Net Cash Used in Financing Activities

Net cash used in financing activities totaled ¥5.11 billion, compared to ¥1.83 billion in the previous fiscal year. Primary factors included redemption of bonds totaling ¥7.00 billion, which the Nagase Group funded primarily using internal capital resources supplemented with proceeds from long-term debt totaling ¥2.32 billion. Cash dividends paid increased ¥0.95 billion from the previous fiscal year to ¥1.29 billion.

Cash Flow Summary

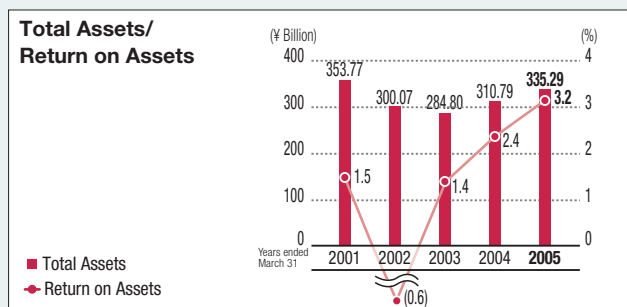
	¥ Billion		
	2005	2004	2003
Net Cash Provided by Operating Activities	1.71	6.43	4.39
Net Cash Used in Investing Activities	(1.41)	(1.68)	0.96
Net Cash Used in Financing Activities	(5.11)	(1.83)	(7.64)

Assets

Total assets as of March 31, 2005 increased 7.9 percent, or ¥24.49 billion, from a year earlier to ¥335.29 billion.

Current assets increased 9.2 percent, or ¥19.83 billion, from a year earlier to ¥234.66 billion. Primary factors included a ¥13.99 billion increase in notes and accounts receivable and an ¥8.94 billion increase in inventories due to the increase in net sales.

Property, plant and equipment increased 9.9 percent, or ¥2.68 billion, from a year earlier to ¥29.67 billion. Main factors in the increase included construction of a new factory at a manufacturing subsidiary and an increase in investments in securities due to higher stock prices. Investments and other assets increased 2.9 percent, or ¥1.98 billion, from a year earlier to ¥70.95 billion.



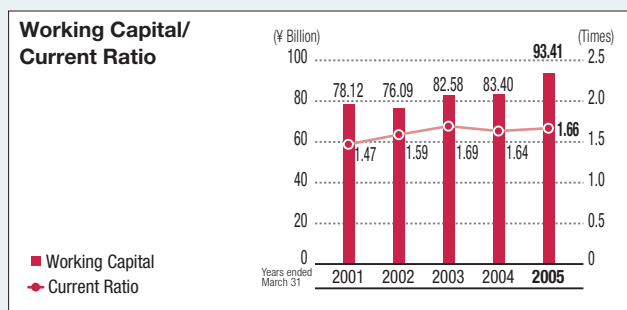
Liabilities

Total liabilities as of March 31, 2005 increased 8.6 percent, or ¥12.96 billion, from a year earlier to ¥163.35 billion.

Current liabilities increased 7.5 percent, or ¥9.82 billion, from a year earlier to ¥141.24 billion. Although Nagase redeemed bonds in the amount of ¥7.00 billion, notes and accounts payable increased by ¥11.61 billion due to the increase in net sales, and short-term loans increased by ¥3.60 billion from a year earlier.

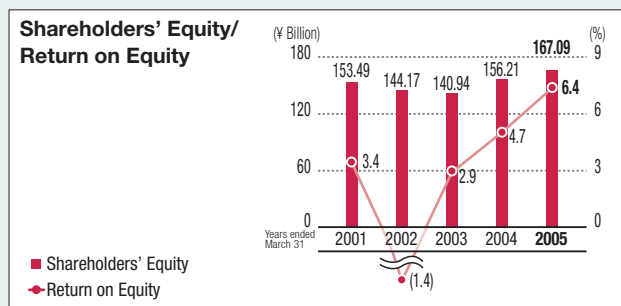
Working capital increased to ¥93.41 billion from ¥83.40 billion a year earlier. The current ratio was 1.66 times, compared to 1.64 times a year earlier.

Long-term liabilities increased 16.6 percent, or ¥3.14 billion, from a year earlier to ¥22.10 billion. Long-term debt increased ¥1.72 billion. Deferred income taxes increased ¥2.42 billion from a year earlier, primarily because the rise in stock prices during the year increased net unrealized holding gain on securities included in deferred income taxes.



Shareholders' Equity

Shareholders' equity increased 7.0 percent, or ¥10.88 billion, from a year earlier to ¥167.09 billion. Retained earnings increased ¥9.66 billion to ¥134.77 billion due to the increase in net income. In addition, net unrealized holding gain on securities increased ¥1.49 billion to ¥20.43 billion due to the rise in domestic stock prices during the year ended March 31, 2005. Treasury stock, at cost was essentially unchanged from a year earlier at ¥5.90 billion. Consequently, the ratio of shareholders' equity to total assets was 49.8 percent compared to 50.3 percent a year earlier.



Investment in Plant and Equipment

Investment in plant and equipment for the year ended March 31, 2005 centered on production equipment for plastic products and totaled ¥6.52 billion.

Investment in plant and equipment in the Chemicals segment totaled ¥1.40 billion and included production equipment at manufacturing subsidiaries for industrial chemicals, pharmaceuticals and enzymes. Investment in plant and equipment in the Plastics segment totaled ¥3.70 billion and included plastic molding and production equipment at the Company and manufacturing subsidiaries. Investment in plant and equipment in the Electronics segment totaled ¥0.92 billion and included production equipment related to electronic components at the Company and manufacturing subsidiaries. Investment in plant and equipment in the Healthcare and Others segments totaled ¥0.48 billion.

The Nagase Group used both internal and external capital resources to fund capital expenditures.

Outlook for the Year Ending March 31, 2006

In the third and final year of the Medium-term Management Plan WIT 21, the Nagase Group will further accelerate its efforts to strengthen its operations in the strategic sectors of electronics, life sciences, automotive-related fields and overseas businesses. The Company projects that market demand will expand in these four sectors, and believes it will have the opportunity to develop its strengths.

Based on the above, the outlook for the Nagase Group's performance for the year ending March 31, 2006 is as follows.

	(¥ Billion)		
	Net Sales	Operating Income	Net Income
Year ending March 31, 2006 (Projected)	600.0	16.1	10.8
Year ended March 31, 2005 (Actual)	575.6	13.2	10.3
Projected YOY increase	4.2%	21.5%	4.0%

Operating and Other Risks

The following presents an overview of operating and other issues to which the Nagase Group is subject and that exert or could exert a significant influence on investor decisions. Forward-looking statements are Nagase Group estimates as of March 31, 2005.

1. Impact of Fluctuations in Foreign Currency Exchange Rates

The Nagase Group undertakes import and export transactions that involve foreign currencies. Fluctuations in foreign currency exchange rates impact the value of transactions denominated in foreign currencies when translated into yen. The Nagase Group works to minimize the risks associated with fluctuations in foreign currency exchange rates by hedging these transactions using forward foreign exchange contracts. However, fluctuations in foreign currency exchange rates have the potential to exert a material impact on the Nagase Group's performance and financial position. The Nagase Group also includes corporations domiciled in countries other than Japan that maintain their financial statements in currencies other than Japanese yen. Fluctuations in foreign currency exchange rates therefore have the potential to impact the consolidated financial statements upon translation of the accounts of these corporations into Japanese yen.

2. Risks Involved in Operating Overseas

A significant percentage of the Nagase Group's activities involve selling and manufacturing overseas, principally in Southeast Asia, Europe, North America and China. As a matter of policy, the Nagase Group makes every effort to determine trends in markets overseas and respond appropriately to them. However, failure on the part of the Nagase Group to make accurate projections based on unexpected events including factors related to the regulatory systems and customs of overseas countries would have the potential to impact the Group's performance and financial position.

3. Impact of Changes in Stock Prices

The Nagase Group maintains a stock portfolio, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. As a matter of policy, the Nagase Group seeks to reduce this risk by divesting unnecessary shares. However, changes in stock prices have the potential to impact the Group's performance and financial position.

4. Risk of New Investments

The Nagase Group's businesses center primarily on low-margin brokerage transactions, and the Group is working to develop high-value-added businesses. As a matter of policy, the Nagase Group is therefore supporting the ability of the Nagase R&D Center, Group manufacturing subsidiaries and other Group organizations to provide high-level technologies and information by undertaking efforts such as aggressively investing in new businesses and purchasing strategic commercial rights. However, this policy entails operating risks that are different from those inherent in the Group's conventional, low-risk brokerage businesses. The increased latent risks involved have the potential to impact the Group's performance and financial position.

5. Product Quality Risk

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide high added value to customers, and devotes scrupulous attention to the quality of the technologies and products the Group thus provides. However, issues such as defects in these products would terminate sales and require the Nagase Group to reimburse customers, which would have the potential to impact the Group's performance and financial position.

6. Risk of Regulation of Product Shipments

Chemicals are a core business of the Nagase Group, which ships a diverse array of products for a broad range of applications. The Group is therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. The Nagase Group has therefore established the Security Trade Control and Chemical Management Committee, which works to assure compliance with the above regulatory systems. Contravention of these regulatory systems would result in restrictions on business activities, and would have the potential to impact the Group's performance and financial position.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2005 and 2004

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current assets:			
Cash and cash equivalents	¥ 17,215	¥ 21,033	\$ 160,311
Time deposits (Note 6).....	637	603	5,940
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	4,441	7,597	41,362
Trade	168,928	151,662	1,573,037
Other	1,298	1,747	12,093
Less allowance for doubtful receivables.....	(1,859)	(2,196)	(17,317)
	172,809	158,810	1,609,176
Inventories	36,316	27,369	338,175
Deferred income taxes (Note 9).....	2,947	2,719	27,448
Other current assets	4,733	4,292	44,073
Total current assets	234,660	214,828	2,185,124
Property, plant and equipment:			
Land.....	9,252	9,429	86,162
Buildings and structures.....	29,273	26,675	272,592
Machinery and equipment.....	32,059	30,667	298,535
Construction in progress	88	170	823
	70,674	66,942	658,114
Less accumulated depreciation	(41,000)	(39,948)	(381,788)
Property, plant and equipment, net.....	29,674	26,994	276,325
Investments and other assets:			
Investments in securities (Notes 4 and 6):			
Unconsolidated subsidiaries and affiliates	11,495	11,113	107,043
Other	55,701	53,282	518,687
	67,197	64,396	625,731
Long-term loans receivable.....	183	168	1,709
Deferred income taxes (Note 9).....	827	712	7,708
Other assets	3,063	3,912	28,529
Less allowance for doubtful accounts.....	(317)	(218)	(2,952)
Total investments and other assets.....	70,955	68,971	660,725
Total assets.....	¥335,290	¥310,793	\$3,122,175

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Current liabilities:			
Short-term loans (Note 5)	¥ 9,944	¥ 6,336	\$ 92,597
Current portion of long-term debt (Note 5).....	588	8,321	5,479
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	1,829	2,194	17,032
Trade	108,819	96,841	1,013,308
	110,648	99,036	1,030,341
Accrued income taxes (Note 9)	3,626	2,587	33,766
Deferred income taxes (Note 9).....	4	2	40
Accrued expenses	5,929	5,658	55,214
Other current liabilities.....	10,506	9,485	97,832
Total current liabilities	141,247	131,427	1,315,272
Long-term liabilities:			
Long-term debt (Note 5)	3,487	1,759	32,474
Deferred income taxes (Note 9).....	9,803	7,381	91,284
Accrued retirement benefits for employees (Note 8).....	7,406	8,474	68,966
Accrued retirement benefits for officers	941	926	8,763
Other liabilities	467	416	4,355
Total long-term liabilities	22,105	18,959	205,844
Minority interests	4,844	4,197	45,114
Contingent liabilities (Note 12)			
Shareholders' equity (Note 7):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 138,408,285 shares	9,699	9,699	90,322
Capital surplus.....	9,648	9,635	89,846
Retained earnings.....	134,778	125,116	1,255,042
Net unrealized holding gain on securities.....	20,431	18,933	190,259
Translation adjustments	(1,558)	(1,195)	(14,508)
Less treasury stock, at cost	(5,908)	(5,979)	(55,018)
Total shareholders' equity	167,092	156,210	1,555,943
Total liabilities and shareholders' equity	¥335,290	¥310,793	\$3,122,175

See notes to consolidated financial statements.

Consolidated Statements of Income

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Net sales (Note 14).....	¥575,636	¥533,301	\$5,360,240
Cost of sales (Note 10).....	513,675	479,807	4,783,269
Gross profit	61,960	53,494	576,971
Selling, general and administrative expenses (Note 10)	48,704	43,250	453,530
Operating income (Note 14)	13,256	10,244	123,440
Other income (expenses):			
Interest and dividend income	1,363	1,406	12,697
Interest expense	(471)	(452)	(4,390)
Equity in earnings of affiliates.....	312	437	2,907
Gain on sales of investments in securities	1,542	726	14,362
Loss on sales of investments in securities	(0)	(384)	(7)
Loss on devaluation of investments in securities	(422)	(215)	(3,931)
Gain on sales of property and equipment	2,083	585	19,401
Loss on sales of property and equipment	(123)	(65)	(1,151)
Loss on impairment of fixed assets (Note 3(a))	(314)	—	(2,930)
Amortization of unrecognized prior service cost (Notes 3(b) and 8)	—	4,200	—
Gain on return of substitutional portion of Welfare Pension Fund Plans..	—	3,396	—
Amortization of unrecognized actuarial loss (Notes 3(b) and 8)	—	(8,232)	—
Other, net.....	333	73	3,103
Income before income taxes and minority interests	17,558	11,721	163,502
Income taxes (Note 9):			
Current.....	5,389	2,961	50,186
Deferred	1,046	1,380	9,744
Income before minority interests.....	11,122	7,379	103,571
Minority interests.....	738	368	6,876
Net income.....	¥ 10,384	¥ 7,010	\$ 96,694

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen						
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2003	138,408,285	¥9,699	¥9,634	¥119,140	¥ 8,455	¥ (22)	¥(5,963)
Net income for the year	—	—	—	7,010	—	—	—
Gain on sales of treasury stock	—	—	0	—	—	—	—
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	(222)	—	—	—
Increase in affiliates accounted for by the equity method	—	—	—	265	—	—	—
Cash dividends	—	—	—	(1,017)	—	—	—
Bonuses to officers	—	—	—	(59)	—	—	—
Net unrealized holding gain on securities...	—	—	—	—	10,477	—	—
Translation adjustments	—	—	—	—	—	(1,172)	—
Increase in treasury stock	—	—	—	—	—	—	(16)
Balance at March 31, 2004	138,408,285	¥9,699	¥9,635	¥125,116	¥18,933	¥(1,195)	¥(5,979)
Net income for the year	—	—	—	10,384	—	—	—
Gain on sales of treasury stock	—	—	13	—	—	—	—
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	—	489	—	—	—
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries...	—	—	—	(12)	—	—	—
Cash dividends	—	—	—	(1,145)	—	—	—
Bonuses to officers	—	—	—	(53)	—	—	—
Net unrealized holding gain on securities...	—	—	—	—	1,498	—	—
Translation adjustments	—	—	—	—	—	(362)	—
Increase in treasury stock	—	—	—	—	—	—	71
Balance at March 31, 2005	138,408,285	¥9,699	¥9,648	¥134,778	¥20,431	¥(1,558)	¥(5,908)

	Thousands of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Net unrealized holding gain on securities	Translation adjustments	Treasury stock	
Balance at March 31, 2004	\$90,322	\$89,722	\$1,165,068	\$176,301	\$(11,129)	\$(55,681)	
Net income for the year.....	—	—	96,694	—	—	—	
Gain on sales of treasury stock.....	—	123	—	—	—	—	
Increase in retained earnings resulting from inclusion of consolidated subsidiaries	—	—	4,555	—	—	—	
Decrease in retained earnings resulting from inclusion of consolidated subsidiaries.....	—	—	(119)	—	—	—	
Cash dividends	—	—	(10,662)	—	—	—	
Bonuses to officers	—	—	(495)	—	—	—	
Net unrealized holding gain on securities	—	—	—	13,957	—	—	
Translation adjustments.....	—	—	—	—	(3,379)	—	
Increase in treasury stock	—	—	—	—	—	663	
Balance at March 31, 2005	\$90,322	\$89,846	\$1,255,042	\$190,259	\$(14,508)	\$(55,018)	

Consolidated Statement of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
Operating activities:			
Net income.....	¥ 10,384	¥ 7,010	\$ 96,694
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,074	3,188	28,630
Loss on impairment of fixed assets.....	314	—	2,930
Decrease in accrued retirement benefits.....	(1,112)	(1,669)	(10,355)
Gain on sales of property and equipment	(1,959)	(520)	(18,250)
Equity in earnings of affiliates.....	(312)	(437)	(2,907)
Gain on sales of investments in securities	(1,541)	(342)	(14,355)
Loss on devaluation of investments in securities.....	422	215	3,931
Other, net.....	2,133	2,872	19,869
Changes in operating assets and liabilities:			
Notes and accounts receivable	(13,819)	(8,526)	(128,681)
Inventories.....	(7,028)	1,164	(65,447)
Other current assets	(1,672)	(1,056)	(15,572)
Notes and accounts payable	10,737	3,100	99,983
Accrued income taxes	1,065	79	9,918
Accrued expenses	270	750	2,520
Other current liabilities	759	602	7,073
Net cash provided by operating activities	1,716	6,431	15,982
Investing activities:			
Purchases of property and equipment.....	(6,530)	(3,052)	(60,811)
Proceeds from sales of property and equipment	2,371	606	22,087
Purchases of investments in securities.....	(1,700)	(4,970)	(15,836)
Proceeds from sales of investments in securities.....	3,678	7,628	34,252
Increase (decrease) in short-term loans receivable, net	1,109	(1,790)	10,329
Other, net	(341)	(110)	(3,176)
Net cash used in investing activities	(1,412)	(1,689)	(13,154)
Financing activities:			
Increase (decrease) in short-term loans, net.....	708	(1,120)	6,595
Proceeds from long-term debt.....	2,320	500	21,603
Redemption of bonds	(7,000)	—	(65,182)
Cash dividends paid.....	(1,291)	(1,196)	(12,021)
Other, net	143	(16)	1,337
Net cash used in financing activities	(5,119)	(1,832)	(47,668)
Effect of exchange rate changes on cash and cash equivalents.....	(296)	(1,004)	(2,760)
Net cash and cash equivalents	(5,111)	1,904	(47,601)
Cash and cash equivalents at beginning of the year	21,033	19,044	195,863
Increase in cash and cash equivalents arising from inclusion of consolidated subsidiaries	1,293	85	12,048
Cash and cash equivalents at end of the year	¥ 17,215	¥21,033	\$ 160,311
Supplemental information on cash flows:			
Cash paid during the year for:			
Interest.....	¥ 512	¥ 461	\$ 4,776
Income taxes	4,324	2,882	40,267

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2005

1. BASIS OF PREPARATION

Nagase & Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and their records in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles generally accepted in Japan. The overseas consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been prepared for domestic reporting purposes and have been compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan, which is different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2005 to the 2004 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader and, as a matter of arithmetic computation only, at ¥107.39 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2005. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen for the years ended March 31, 2005 and 2004 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the years ended March 31, 2005 and 2004 (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies which it controls directly or indirectly. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

The overseas consolidated subsidiaries have a December 31 year-end closing date and one domestic consolidated subsidiary's year end is at the end of February, which differs from the balance sheet date of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year ends of these subsidiaries and the year end of the Company.

Unrealized intercompany gains and losses among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to minority interests has been charged to minority interests.

The difference between the cost of an investment in a subsidiary and the amount of the underlying equity in its net assets is treated as an asset or a liability, as the case may be, and is amortized over a period of five years on a straight-line basis.

The difference between the cost of an investment in an affiliate and the amount of the Company's underlying equity in its net assets is amortized over a period of five years on a straight-line basis.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain and loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of net income but are reported as "Translation adjustments" in a component of shareholders' equity and minority interests in the accompanying consolidated financial statements.

(c) Inventories

Inventories are stated at the lower of cost or market, cost being determined by the weighted-average method.

(d) Investments in Securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, and reported as a separate component of shareholders' equity. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

A loss on the impairment of deposits for golf club memberships is also required to be recognized.

Securities held by the Company and its subsidiaries are all classified as "other securities" and have been accounted for as outlined above.

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired subsequent to April 1, 1998. Property, plant and equipment owned by certain consolidated subsidiaries is depreciated by the straight-line method.

(f) Leases

The Company and its consolidated subsidiaries lease certain property and equipment under noncancelable lease agreements referred to as finance leases. Finance leases other than those which transfer the ownership of the leased property to the lessees are accounted for as operating leases.

(g) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income tax assets and liabilities are computed to determine the temporary differences between the financial reporting and the tax bases of the assets and liabilities which will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the enacted tax laws.

In accordance with a law on the amendment of local tax laws, and so forth, which went into effect on April 1, 2004, a corporation with capital in excess of ¥100 million is subject to business scale taxation on the basis of the total amount of value added, the size of its capital and its taxable income. Based on this new accounting standard, the Company has accounted for business scale taxation with respect to the amount of value added and capital as a component of selling, general and administrative expenses. Consequently, selling, general and administrative expenses for the year ended March 31, 2005 increased by ¥161 million (\$1,500 thousand) and operating income and income before income taxes and minority interests for the year ended March 31, 2005 decreased by ¥161 million (\$1,500 thousand).

(h) Retirement Benefits

The Company has defined benefit pension plans and retirement benefit plans. The Company also has defined contribution pension plans. The domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain overseas consolidated subsidiaries also have defined benefit plans.

On February 1, 2004, the Company received approval from the Minister of Health, Labour and Welfare with respect to its application for an exemption from the obligation for the payment of future benefits related to prior service cost under the substitutional portion of the Welfare Pension Fund Plans ("WFPF") in accordance with the Defined Benefits Corporate Pension Plan Law. (Refer to Note 8.)

The Company has established an employees' retirement benefit trust for the payment of retirement benefits.

Actuarial gain or loss is principally credited or charged to income in the year following the year in which such gain or loss is recognized for financial reporting purposes. Prior service cost is credited or charged to income in the year in which such cost is recognized for financial reporting purposes.

In addition, directors and corporate auditors (“officers”) of the Company and certain subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowances plans. The provision for officers’ retirement allowances is made at an estimated amount.

(i) Derivatives and Hedging Activities

The Company and its consolidated subsidiaries utilize derivative financial instruments principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and to mitigate the risk of fluctuation in interest rates on borrowings. The Company has established a control environment that includes policies and procedures for risk assessment in accordance with the Company’s rules for foreign exchange transactions and swap transactions. Under these rules, the Company conducts transactions within a certain range and places limits on the applicable assets and liabilities based on the actual demand. In addition, the Company also assesses the effectiveness of the hedging and verifies the approval, reporting and monitoring of all transactions involving derivatives. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

If an interest-rate swap meets certain criteria, the net amount to be paid or received under the contract is added or deducted from the interest on the underlying hedged item.

The Company and its consolidated subsidiaries are exposed to certain market risk arising from their forward foreign exchange contracts. They are also exposed to the risk of credit loss in the event of non-performance by the counterparties to the currency and interest-rate contracts; however, they do not anticipate nonperformance by any of these counterparties, all of whom are financial institutions with high credit ratings.

Derivatives are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

(j) Research and Development Costs

Research and development costs are charged to income when incurred.

(k) Appropriation of Retained Earnings

Dividends and other appropriations of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which the appropriations are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable appropriations of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 15.)

3. ACCOUNTING CHANGES

(a) Loss on impairment of fixed assets

Effective April 1, 2004, the Company and its domestic consolidated subsidiaries opted for early adoption of a new accounting standard for the impairment of fixed assets which requires that tangible and intangible fixed assets be carried at cost less depreciation and be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company and its domestic consolidated subsidiaries are required to recognize an impairment loss in the statement of income if certain indicators of asset impairment exist and if the book value of an asset exceeds the undiscounted sum of its future cash flows. The standard states that an impairment loss should be measured as the excess of the book value over the higher of (1) the fair market value of the asset, net of its disposition cost, and (2) the present value of future cash flows arising from the ongoing utilization of the asset and from its disposition, if applicable. The standard covers land, factories, buildings and other items of property, plant and equipment as well as intangible assets.

As a result of the adoption of this new accounting standard, a loss on impairment of fixed assets in the amount of ¥314 million (\$2,930 thousand) has been recognized in the consolidated statement of income for the year ended March 31, 2005, and income before income taxes and minority interests decreased by the same amount from the corresponding amount which would have been recorded under the previous method. The impairment loss on these assets has been deducted directly from their carrying amounts in the consolidated balance sheet at March 31, 2005.

(b) Retirement benefits

(i) Accounting for actuarial gain or loss

Through March 31, 2003, actuarial loss was amortized in the year following the year in which the loss was recognized by the straight-line method over ten years, which was within the estimated average remaining years of service of the eligible employees. Effective April 1, 2003, the Company changed its method of accounting for actuarial gain or loss and adopted the policy of charging the entire amount of actuarial gain or loss to income in the year following the year in which the actuarial gain or loss was recognized.

The accumulated balance of unrecognized actuarial loss has increased primarily as a result of the declining stock market and the low interest rates in the market and because of the method of amortizing unrecognized actuarial loss over ten years. The resulting increase in the accumulated balance of unrecognized actuarial loss will contribute to a rise in pension cost in the future.

The Company has established a new retirement benefit scheme for the purpose of reducing future pension cost. Under this scheme, the following measures have been taken: a reduction of the retirement benefit obligation and pension assets by way of the return of the substitutional portion of the WFPF, the introduction of retirement benefits based on seniority and employees' performance, the imposition of certain limitations in selecting pension plans by employees, the transfer of a certain portion of the defined benefit pension plans to defined contribution plans, and a reduction in the level of payment of retirement benefits.

The Company has also altered its pension assets portfolio in accordance with a revision to its investment policies concerning pension plan assets. This change was made in order to reduce actuarial loss in the future.

(ii) Accounting for prior service cost

Through March 31, 2003, prior service cost was amortized by the straight-line method over three years, which was with-in the estimated average remaining years of service of the eligible employees.

Effective April 1, 2003, the Company changed its method of accounting for prior service cost and adopted the policy of charging prior service cost to income as incurred.

The changes outlined above were made to reflect more accurately the substance of the revised retirement benefit pension and retirement benefit plans in the consolidated financial statements and to enhance the financial status of the Company.

The effect of these changes was to decrease operating income and income before income taxes and minority interests by ¥590 million and ¥3,855 million, respectively, for the year ended March 31, 2004 from the amounts which would have been recorded if the respective methods applied in the previous year had been followed.

4. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen			
	2005			
	Other securities			
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	
Market value determinable:				
Stock	¥17,422	¥34,589	¥(38)	¥51,973
Government bonds.....	14	0	(0)	14
Total.....	¥17,437	¥34,589	¥(38)	¥51,987

	Millions of yen			
	2004			
	Other securities			
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	
Market value determinable:				
Stock	¥17,621	¥32,047	¥(88)	¥49,579
Government bonds.....	14	0	(0)	14
Total.....	¥17,635	¥32,047	¥(89)	¥49,593

	Thousands of U.S. dollars			
	2005			
	Other securities			
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	
Market value determinable:				
Stock	\$162,237	\$322,090	\$(361)	\$483,967
Government bonds.....	135	1	(0)	136
Total.....	\$162,372	\$322,092	\$(361)	\$484,103

(b) Securities whose market value was not determinable were classified as other securities at March 31, 2005 and 2004 and are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Carrying value	Carrying value	Carrying value
Market value not determinable:			
Equity securities.....	¥3,676	¥3,651	\$34,232
Bonds and debentures.....	37	37	351
	¥3,713	¥3,688	\$34,583

(c) The proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Carrying value	Carrying value	Carrying value
Proceeds from sales	¥2,771	¥4,216	\$25,805
Gain on sales	1,515	659	14,109
Loss on sales	0	63	3

5. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans at March 31, 2005 and 2004 principally represented notes and loans in the form of deeds at average annual interest rates of 2.55% and 1.59% per annum, respectively.

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
	Carrying value	Carrying value	Carrying value
Unsecured loans from banks and insurance companies, payable in yen, due through 2011 at rates from 0.97% to 4.23%.....	¥4,075	¥ 3,080	\$37,954
1.53% unsecured bonds payable in yen, due 2004	—	7,000	—
	4,075	10,080	37,954
Less current portion.....	(588)	(8,321)	(5,479)
	¥3,487	¥ 1,759	\$32,474

The aggregate annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006.....	¥ 588	\$ 5,479
2007.....	464	4,323
2008.....	58	541
2009.....	558	5,197
2010.....	2,358	21,958
2011 and thereafter	48	453
	¥4,075	\$37,954

6. PLEDGED ASSETS

At March 31, 2005, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposits.....	¥ 600	\$ 5,587
Investments in securities.....	2,713	25,268
	¥3,313	\$30,855

7. SHAREHOLDERS' EQUITY

The Commercial Code of Japan ("the Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders.

Retained earnings include the legal reserve provided in accordance with the Code. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The legal reserve of the Company included in retained earnings at March 31, 2005 and 2004 amounted to ¥2,424 million (\$22,580 thousand).

In accordance with the Code, a stock option plan for directors, certain key employees of the Company and directors of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 27, 2002. Under the terms of this plan, 260,000 shares of common stock have been reserved for issuance at an exercise price of ¥565 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options became exercisable on August 1, 2004 and are scheduled to expire on July 31, 2007.

In accordance with the Code, a stock option plan for directors, auditors, certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 27, 2003. Under the terms of this plan, 764,000 shares of common stock have been reserved for issuance at an exercise price of ¥657 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options become exercisable on August 1, 2005 and are scheduled to expire on July 31, 2008.

In accordance with the Code, a stock option plan for directors, auditors, certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 29, 2004. Under the terms of this plan, 759,000 shares of common stock have been reserved for issuance at an exercise price of ¥1,023 per share, subject to adjustment for certain events including stock splits. The eligible participants may exercise the options if the closing market price of the Company's shares on the Tokyo Stock Exchange as of the trading date preceding the date of the exercise of the options exceeds 1.2 times the exercise price. The options become exercisable on August 1, 2006 and are scheduled to expire on July 31, 2009.

In accordance with the Code, a stock option plan for directors, auditors and certain key employees of the Company and directors (and the equivalent officers) of certain subsidiaries was approved at the annual general meeting of the shareholders held on June 28, 2005. Under the terms of this plan, the issuance of up to 850,000 shares of common stock has been authorized. Eligible participants may exercise their stock options at an exercise price calculated by multiplying the average of the closing market prices of the Company's shares on the Tokyo Stock Exchange for all trading days for the month immediately preceding the date of the issuance of the rights by a factor of 1.05; however, if the exercise price referred to above is less than the closing market price of the Company's shares on the Tokyo Stock Exchange on the day on which the rights were issued, the closing market price is to be the exercise price. The exercise price is subject to adjustment for certain events including stock splits. The options become exercisable on August 1, 2007 and are scheduled to expire on July 31, 2010.

8. RETIREMENT BENEFITS

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plan and lump-sum payment plans. The Company transferred certain defined benefit plans to a defined contribution plan. Certain overseas consolidated subsidiaries also have defined benefit plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2005 and 2004 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Retirement benefit obligation.....	¥(22,104)	¥(28,580)	\$(205,830)
Plan assets at fair value	15,490	20,774	144,243
Unfunded retirement benefit obligation	(6,613)	(7,805)	(61,586)
Unrecognized actuarial gain	(792)	(668)	(7,379)
Accrued retirement benefits recognized in the consolidated balance sheets.....	¥ (7,406)	¥ (8,474)	\$ (68,966)

The total pension liabilities to be transferred over four years to the defined contribution plan system amounted to ¥626 million (\$5,837 thousand). The amount to be transferred subsequent to March 31, 2005 to the defined contribution plans amounted to ¥298 million (\$2,781 thousand), which has been included under "Other current liabilities" and "Other liabilities."

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2005 and 2004 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Service cost	¥1,019	¥1,060	\$ 9,493
Interest cost	483	692	4,501
Expected return on plan assets	(7)	(7)	(73)
Amortization of prior service cost	81	—	756
Amortization of actuarial gain	(503)	(41)	(4,691)
Contributions to defined contribution plans	42	44	396
Retirement benefit expenses	¥1,115	¥1,750	\$10,383

As discussed in Note 3(b), unrecognized actuarial loss of ¥8,232 million and unrecognized prior service cost of ¥4,200 million outstanding at March 31, 2003 were fully amortized during the year ended March 31, 2004 and recognized in the consolidated statement of income.

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	Mainly 0.0%	Mainly 0.0%

9. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprises taxes, which, in the aggregate, resulted in statutory tax rates of approximately 40.7% and 42.1%, respectively for the years ended March 31, 2005 and 2004.

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2005 and 2004 differ from the statutory tax rates for the following reasons:

	2005	2004
Statutory tax rates	40.7%	42.1%
Effect of:		
Expenses not deductible for income tax purposes	2.1	3.1
Dividends and other income deductible for income tax purposes	(2.9)	(3.3)
Net adjustment from elimination of dividend income in consolidation	2.6	—
Different tax rates applied to income of overseas subsidiaries	(4.0)	(2.6)
Tax credit	(1.5)	(3.8)
Other, net	(0.3)	1.5
Effective tax rates	36.7%	37.0%

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the deferred assets and liabilities for financial reporting purposes and the corresponding amounts for income tax purposes. The significant components of the Companies' deferred tax assets and liabilities at March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Unrealized gain on inventories	¥ 366	¥ 347	\$ 3,413
Allowance for doubtful receivables	687	573	6,398
Investments in securities	2,627	2,865	24,471
Accrued bonuses	—	1,057	—
Accrued expenses	1,197	—	11,154
Retirement benefits for employees	3,212	3,612	29,913
Retirement benefits for officers.....	384	509	3,584
Other	1,763	1,876	16,425
Gross deferred tax assets	10,240	10,842	95,361
Valuation allowance	(510)	(730)	(4,754)
Total deferred tax assets.....	9,730	10,112	90,606
Deferred tax liabilities:			
Revaluation of land	(371)	(371)	(3,461)
Deferred capital gain on property	(1,292)	(579)	(12,035)
Deferred revenue on sales of property	—	(106)	—
Special reserve for depreciation	(37)	(44)	(350)
Net unrealized holding gain on securities	(14,050)	(12,915)	(130,834)
Other	(9)	(47)	(92)
Total deferred tax liabilities	(15,762)	(14,064)	(146,774)
Net deferred tax liabilities.....	¥ (6,031)	¥ (3,952)	\$ (56,167)

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2005 and 2004 totaled ¥2,348 million (\$21,870 thousand) and ¥2,435 million, respectively.

11. LEASES

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property at March 31, 2005 and 2004, which would have been reflected in the balance sheets if the finance leases other than those which transfer the ownership of the leased property of the Company and the consolidated subsidiaries (which are currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2005			2004		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ —	¥ —	¥ —	¥ 53	¥ 13	¥ 40
Machinery and equipment ..	499	342	157	1,014	715	299
Furniture and fixtures.....	1,145	627	518	1,537	805	731
	¥1,644	¥969	¥675	¥2,604	¥1,534	¥1,070

	Thousands of U.S. dollars		
	2005		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ —	\$ —	\$ —
Machinery and equipment ..	4,653	3,189	1,464
Furniture and fixtures.....	10,663	5,840	4,823
	\$15,317	\$9,029	\$6,288

The related lease payments and depreciation for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Lease payments.....	¥483	¥684	\$4,501
Depreciation expense.....	421	626	3,921
Interest expense.....	33	50	309

Depreciation is calculated by the straight-line method over the respective lease terms.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 under finance leases other than those which transfer the ownership of the leased property to the Company and the consolidated subsidiaries are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006.....	¥267	\$2,490
2007 and thereafter.....	448	4,175
	¥715	\$6,665

12. CONTINGENT LIABILITIES

At March 31, 2005, the Company and its consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥1,361 million (\$12,677 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥150 million (\$1,401 thousand).

In addition, at March 31, 2005, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed for a total amount of ¥608 million (\$5,663 thousand).

13. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2005	2004	2005
Net income:			
Basic.....	¥ 81.00	¥ 54.69	\$ 0.754
Diluted.....	80.82	—	0.752
Net assets.....	1,311.37	1,227.82	12.211
Cash dividends applicable to the year.....	10.00	9.00	0.093

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has been computed based on the amount of net income attributable to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the shares of common stock to be issued upon the exercise of the stock options. The amounts per share of net assets have been computed based on the net assets available for distribution to shareholders of common stock and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

14. SEGMENT INFORMATION

The Company and its consolidated subsidiaries are primarily engaged in the manufacture, purchase and sale of products in Japan and overseas in four major segments: Chemicals which primarily include coating materials, coloring materials, monomers, urethane raw materials, resin additives, dyes, organic fine chemicals, speciality chemicals, agricultural and ecological materials; Plastics which include synthetic resin, synthetic rubber and building materials, shaped processed goods; Electronics which include semiconductor wafer processing, semiconductor assembly processing, liquid crystal display components, communications devices and other electronic devices; and Health care and others which include medical devices, cosmetics and health food, as well as health care services.

The business and geographical segments of the Company and the consolidated subsidiaries for the years ended March 31, 2005 and 2004 are outlined as follows:

Business Segments

Year ended March 31, 2005	Millions of yen						
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales
Sales to customers.....	¥251,725	¥188,456	¥122,632	¥12,821	¥575,636	¥ —	¥575,636
Intersegment sales	12	166	87	5,144	5,411	(5,411)	—
Total sales.....	251,738	188,622	122,719	17,966	581,047	(5,411)	575,636
Operating expenses	246,378	184,334	120,049	17,342	568,104	(5,724)	562,379
Operating income	¥ 5,360	¥ 4,288	¥ 2,669	¥ 624	¥ 12,942	¥ 313	¥ 13,256
Assets.....	¥128,007	¥ 93,576	¥ 63,195	¥10,600	¥295,379	¥39,911	¥335,290
Depreciation and amortization	1,162	772	1,008	130	3,074	—	3,074
Capital expenditures	1,439	3,720	955	501	6,616	—	6,616

Year ended March 31, 2004	Millions of yen						
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales
Sales to customers.....	¥231,360	¥170,996	¥118,978	¥11,966	¥533,301	¥ —	¥533,301
Intersegment sales	13	37	16	4,139	4,208	(4,208)	—
Total sales.....	231,374	171,034	118,995	16,105	537,509	(4,208)	533,301
Operating expenses	227,159	168,006	116,583	15,760	527,510	(4,452)	523,057
Operating income	¥ 4,214	¥ 3,027	¥ 2,412	¥ 345	¥ 9,999	¥ 244	¥ 10,244
Assets.....	¥122,844	¥ 80,415	¥ 58,903	¥10,903	¥273,066	¥37,727	¥310,793
Depreciation and amortization	1,217	752	1,069	148	3,188	—	3,188
Capital expenditures	958	634	1,004	181	2,778	—	2,778

Year ended March 31, 2005	Thousands of U.S. dollars						
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales
Sales to customers.....	\$2,344,034	\$1,754,879	\$1,141,932	\$119,394	\$5,360,240	\$ —	\$5,360,240
Intersegment sales	119	1,548	812	47,907	50,387	(50,387)	—
Total sales.....	2,344,154	1,756,427	1,142,744	167,301	5,410,628	(50,387)	5,360,240
Operating expenses	2,294,238	1,716,493	1,117,885	161,488	5,290,106	(53,305)	5,236,800
Operating income	\$ 49,915	\$ 39,933	\$ 24,859	\$ 5,812	\$ 120,522	\$ 2,918	\$ 123,440
Assets.....	\$1,191,983	\$ 871,369	\$ 588,464	\$ 98,710	\$2,750,527	\$371,648	\$3,122,175
Depreciation and amortization	10,825	7,190	9,394	1,219	28,630	—	28,630
Capital expenditures	13,407	34,641	8,896	4,667	61,612	—	61,612

Effective April 1, 2003, the Company changed its method of accounting for actuarial gain or loss and adopted the policy of charging the entire amount of actuarial gain or loss to income in the year following the year in which it was recognized. The effect of this change was to decrease operating income in the Chemicals segment, Plastics segment, Electronics segment and Health care and others segment for the year ended March 31, 2004 by ¥244 million, ¥149 million, ¥131 million and ¥65 million, respectively, from the amounts that would have been recognized using the method applied in the year ended March 31, 2003.

Geographical Segments

Year ended March 31, 2005	Millions of yen						Eliminations or corporate	Consolidated sales
	Japan	Asia	North America	Others	Total			
Sales to customers	¥433,709	¥114,719	¥17,356	¥ 9,849	¥575,636	¥ —	¥575,636	
Intersegment sales	59,461	5,550	2,019	1,250	68,282	(68,282)	—	
Total sales	493,170	120,270	19,376	11,100	643,918	(68,282)	575,636	
Operating expenses	484,357	115,888	19,420	10,987	630,655	(68,275)	562,379	
Operating income (loss)	¥ 8,813	¥ 4,381	¥ (44)	¥ 112	¥ 13,262	¥ (6)	¥ 13,256	
Assets	¥253,954	¥ 45,946	¥ 5,605	¥ 2,734	¥308,240	¥ 27,049	¥335,290	

Year ended March 31, 2004	Millions of yen						Eliminations or corporate	Consolidated sales
	Japan	Asia	North America	Others	Total			
Sales to customers	¥424,855	¥85,356	¥13,879	¥ 9,210	¥533,301	¥ —	¥533,301	
Intersegment sales	56,170	5,010	2,339	1,044	64,565	(64,565)	—	
Total sales	481,025	90,367	16,218	10,254	597,866	(64,565)	533,301	
Operating expenses	474,192	87,658	15,898	10,098	587,848	(64,791)	523,057	
Operating income	¥ 6,833	¥ 2,708	¥ 320	¥ 156	¥ 10,018	¥ 225	¥ 10,244	
Assets	¥246,337	¥30,663	¥ 4,829	¥ 2,744	¥284,574	¥ 26,219	¥310,793	

Year ended March 31, 2005	Thousands of U.S. dollars						Eliminations or corporate	Consolidated sales
	Japan	Asia	North America	Others	Total			
Sales to customers	\$4,038,640	\$1,068,254	\$161,625	\$ 91,720	\$5,360,240	\$ —	\$5,360,240	
Intersegment sales	553,695	51,689	18,804	11,643	635,832	(635,832)	—	
Total sales	4,592,335	1,119,944	180,429	103,363	5,996,072	(635,832)	5,360,240	
Operating expenses	4,510,270	1,079,141	180,840	102,318	5,872,570	(635,770)	5,236,800	
Operating income (loss)	\$ 82,065	\$ 40,802	\$ (410)	\$ 1,044	\$ 123,502	\$ (62)	\$ 123,440	
Assets	\$2,364,789	\$ 427,849	\$ 52,196	\$ 25,458	\$2,870,294	\$ 251,881	\$3,122,175	

Effective April 1, 2003, the Company changed its method of accounting for actuarial gain or loss and adopted the policy of charging the entire amount of actuarial gain or loss to income in the year following the year in which it was recognized. The effect of this change was to decrease operating income in the Japan segment by ¥590 million from the amount that would have been recognized using the method applied in the fiscal year ending March 31, 2003.

Sales to Overseas Customers

Year ended March 31, 2005	Millions of yen			
	Asia	North America	Other	Total
Overseas sales	¥181,010	¥17,373	¥13,544	¥211,928
Consolidated net sales				¥575,636
Overseas sales as a percentage of consolidated net sales	31.4%	3.0%	2.4%	36.8%

Year ended March 31, 2004	Millions of yen			
	Asia	North America	Others	Total
Overseas sales	¥153,751	¥15,397	¥14,594	¥183,744
Consolidated net sales				¥533,301
Overseas sales as a percentage of consolidated net sales	28.8%	2.9%	2.8%	34.5%

Year ended March 31, 2005	Thousands of U.S. dollars			
	Asia	North America	Others	Total
Overseas sales	\$1,685,545	\$161,775	\$126,124	\$1,973,445
Consolidated net sales				\$5,360,240

15. SUBSEQUENT EVENT

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2005, was approved at a meeting of the shareholders held on June 28, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10.00 = U.S. \$0.093 per share)	¥1,274	\$11,863

Report of Independent Auditors



The Board of Directors
Nagase & Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nagase & Co., Ltd. and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nagase & Co., Ltd. and consolidated subsidiaries at March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As discussed in Note 3(a), effective April 1, 2004, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

As discussed in Note 3(b), effective April 1, 2003, the Company changed its methods of accounting for the amortization of actuarial gain or loss and prior service cost.

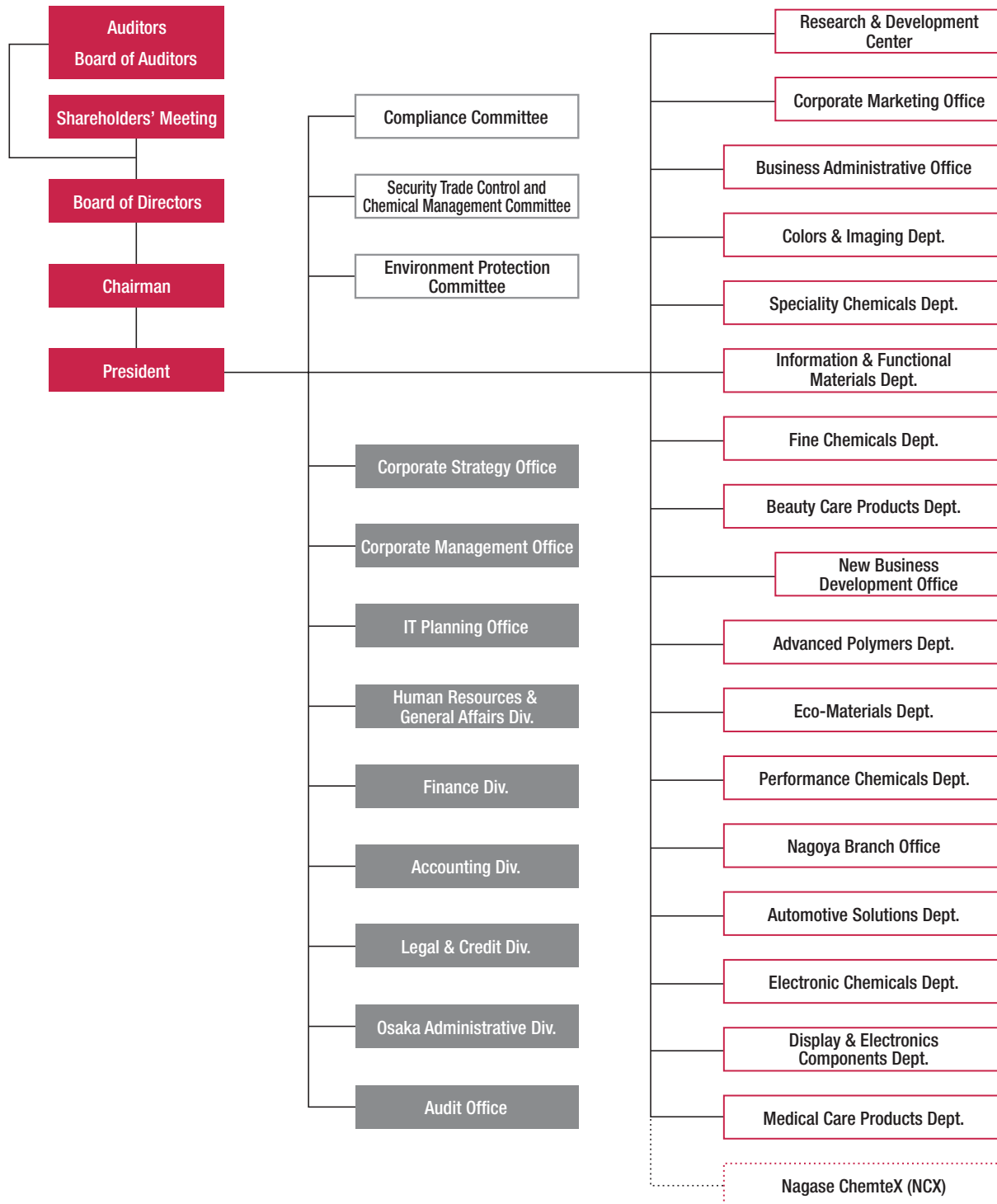
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Osaka, Japan
June 28, 2005

A handwritten signature in black ink that reads 'Ernst & Young ShinNihon'.

Organization

(As of April 1, 2005)



Major Consolidated Subsidiaries, Affiliates and Offices

(As of March 31, 2005)

Company name

①Description of business ②Paid-in capital ③Date of establishment ④Equity ownership (*indicates indirect investment)

Address Tel/Fax

● Consolidated subsidiary ● Company accounted for under the equity method ● Affiliate

JAPAN

■ Manufacturing

● Nagase ChemteX Corp.

①Manufacture of epoxy resins, enzymes, industrial chemicals ②¥2,420 million ③1970 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2582 Fax: (81) 6-6535-2174

● Honshu Rheem Co., Ltd.

①Manufacture and sale of fiber drums, import and sale of food processing machines and materials
②¥100 million ③1968 ④40.0%
8-11, Minami Hashimoto 4-chome, Sagamihara-City, Kanagawa
Tel: (81) 42-773-3111 Fax: (81) 42-774-4369

● Thermo Co., Ltd.

①Manufacture and sale of plastic products
②¥200 million ③1956 ④40.2%
15-15, Oomori Kita 5-chome, Oota-ku, Tokyo
Tel: (81) 3-3762-4531 Fax: (81) 3-3762-4530

● Nagase Cosmetics Co., Ltd.

①Manufacture of cosmetics and health foods
②¥30 million ③1983 ④50.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3610 Fax: (81) 3-3665-3859

● Grelan Pharmaceutical Co., Ltd.

①Manufacture and sale of pharmaceuticals
②¥220 million ③1950 ④34.0%
6F, Ogura Bldg., 6-6, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5651-8050 Fax: (81) 3-5651-8059

● Totaku Industries, Inc.

①Manufacture and sale of plastic products
②¥270 million ③1952 ④76.3%
1-33, Mitsuya Minami 1-chome, Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6308-8300 Fax: (81) 6-6308-7020

● Gigatec Inc.

①Design, manufacture and sale of high-frequency power amplifiers ②¥97 million ③1989 ④41.2%
625, Shimo Ooshimamachi, Takasaki-City, Gunma
Tel: (81) 27-343-1590 Fax: (81) 27-343-3365

● eX - Grade Co., Ltd.

①Development, manufacture and sale of components for electronic equipment
②¥23 million ③2003 ④30.4%
5F, Daido-Showacho Dai2 Bldg., 1-30, Showacho 5-chome, Abeno-ku, Osaka-City, Osaka
Tel: (81) 6-6623-7633 Fax: (81) 6-6623-7638

● Nagase Medicals Co., Ltd.

①Manufacture of pharmaceuticals ②¥498 million
③1972 ④100.0%
4-323, Senzo, Itami-City, Hyogo
Tel: (81) 72-778-7501 Fax: (81) 72-778-7506

● Kyusyu Totaku Industries, Inc.

①Manufacture and sale of plastic products
②¥30 million ③1997 ④0.0%*
9857-11, Ooaza Kawafuru, Wakagicho, Takeo-City, Saga
Tel: (81) 954-26-3637 Fax: (81) 954-20-5006

● Nagase Alphametics Co., Ltd.

①Manufacture of cosmetics and medicated cosmetics ②¥10 million ③1993 ④40.0%
4-12, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3610 Fax: (81) 3-3665-3859

● Toyo Beauty Supply Corporation

①Contract manufacture of cosmetics
②40 million ③1964 ④40.0%
3-10, Nihonbashi-Hongokucho 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3241-1410 Fax: (81) 3-3270-6338

■ Processing

● Kotobuki Kasei Corp.

①Molding, processing and sale of plastic products
②¥20 million ③1972 ④57.5%
7-9, Satsukicho, Kanuma-City, Tochigi
Tel: (81) 289-72-0112 Fax: (81) 289-72-0114

● Alpha Bumping Technology Co., Ltd.

①Contract processing for wafer bumping using Ni/Au electroless plating ②¥300 million ③2000 ④75.5%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3880 Fax: (81) 3-3665-3950

● Setsunan Kasei Co., Ltd.

①Coloring and sale of plastics ②¥105 million
③1966 ④100.0%
2-22, Takaida Nishi 5-chome, Higashi Osaka-City, Osaka
Tel: (81) 6-6783-5231 Fax: (81) 6-6783-5228

● Kyoraku Co., Ltd.

①Manufacture, processing and sale of plastic products
②¥200 million ③1917 ④29.3%
Kawaramachi Chuo Bldg., 3-10, Kawaramachi 2-chome, Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6203-1301 Fax: (81) 6-6203-1309

■ Servicing

● Delta Twenty-One Corp.

①Marketing, planning and administration of plastics processing ②¥50 million ③1994 ④100.0%
5F, Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3700 Fax: (81) 3-3665-3714

● Design & Die Co., Ltd.

①Design, manufacture and sale of automotive components and plastic products ②¥50 million
③2002 ④51.0%
c/o Tatematsu Mold Industry, 27, Okuda Oosawacho, Inazawa-City, Aichi
Tel: (81) 587-32-6281 Fax: (81) 587-32-5392

● Nagase Electronic Equipment Service Co., Ltd.

①Manufacture, sale and maintenance of low-temperature vacuum equipment
②¥45 million ③1989 ④100.0%
5-10, Higashi Nakajima 3-chome, Higashi Yodogawa-ku, Osaka-City, Osaka
Tel: (81) 6-6324-7626 Fax: (81) 6-6324-7680

● Nagase CMS Technology Co., Ltd.

①Development, design, manufacture, sale and maintenance of CMS devices
②¥150 million ③2001 ④65.0%
4-9, Chigasaki Minami 3-chome, Tsuzuki-ku, Yokohama-City, Kanagawa
Tel: (81) 45-948-1072 Fax: (81) 45-948-1070

● Nagase Landauer, Ltd.

①Radiation measuring services ②¥88 million
③1974 ④50.0%
11-6, Nihonbashi-Hisamatsucho, Chuo-ku, Tokyo
Tel: (81) 3-3666-4300 Fax: (81) 3-3662-9518

● NCC Engineering Co., Ltd.

①Manufacture and maintenance of therapy devices
②¥20 million ③1981 ④61.0%
6-5, Nagatsuta Minamidai 1-chome, Midori-ku, Yokohama-City, Kanagawa
Tel: (81) 45-986-0781 Fax: (81) 45-986-0787

● **MEDICANET Co., Ltd.**

①Clinical development support and services
②¥20 million ③2003 ④50.0%
Ogura Bldg., 6-6, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5651-8071 Fax: (81) 3-5651-8073

● **Nagase Information Development, Ltd.**

①Software development and maintenance
②¥30 million ③1987 ④100.0%
Nagase Sangyo Honcho Bldg., 2-8,
Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3231-3581 Fax: (81) 3-3231-3584

● **Choko Co., Ltd.**

①Insurance agency ②¥15 million ③1971 ④30.0%
11F, Toho Bldg., 1-13, Nishi Shinsaibashi 1-chome,
Chuo-ku, Osaka-City, Osaka
Tel: (81) 6-6244-0125 Fax: (81) 6-6258-3385

● **Nagase Logistics Co., Ltd.**

①Warehousing and distribution ②¥401 million
③1982 ④100.0%
4-45, Higashi Tsukaguchicho 2-chome, Amagasaki-
City, Hyogo
Tel: (81) 6-6427-8651 Fax: (81) 6-6427-8772

● **Nippon Vopac Co., Ltd.**

①Warehousing, motor truck carrier business and
freight transportation services ②¥404 million
③1966 ④19.9%
5-7, Kajicho 1-chome, Chiyoda-ku, Tokyo
Tel: (81) 3-3254-9571 Fax: (81) 3-3254-9566

● **Sun Delta Corporation**

①Development of applications for plastics products and
manufacture and sale of processed products
②¥490 million ③2005 ④50.0%
9F, Hibiya-Mitsui Bldg., 1-2, Yurakucho 1-chome,
Chiyoda-ku, Tokyo
Tel: (81) 3-3507-2830 Fax: (81) 3-3507-2835

● **Nagase General Service Co., Ltd.**

①Sale and lease of various goods, real estate
administration ②¥20 million ③1983 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2131 Fax: (81) 6-6535-2124

● **Nagase Trade Management Co., Ltd.**

①Business agent for foreign trade documentation
②¥20 million ③1996 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3125 Fax: (81) 3-3665-3286

■ Sales

● **Nagase Colors & Chemicals Co., Ltd.**

①Purchasing and sale of dyestuffs, industrial
chemicals, etc. and related information provision
②¥100 million ③1957 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2058 Fax: (81) 6-6535-2054

● **Nagase Bio-Chemical Sales Co., Ltd.**

①Sale of enzymes and additives for food and feed
②¥30 million ③1987 ④87.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2318 Fax: (81) 6-6535-2531

● **Nagase Elex Co., Ltd.**

①Sale of raw materials for plastics and plastic products
②¥20 million ③1979 ④100.0%
4F, Nihonbashi Tachibana Bldg., 6-11,
Higashi Nihonbashi 3-chome, Chuo-ku, Tokyo
Tel: (81) 3-3661-0821 Fax: (81) 3-3661-1560

● **Shinshu Nagase Denzai Co., Ltd.**

①Sale of electronics components, raw materials for
plastics and plastic products ②¥10 million
③1984 ④70.0%
1-21, Shinmeicho 4-chome, Okaya-City, Nagano
Tel: (81) 266-24-2772 Fax: (81) 266-24-3311

● **Nagase Medix Co., Ltd.**

①Manufacture and sale of pharmaceuticals and
veterinary drugs, and development of medical software
②¥50 million ③1998 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3288 Fax: (81) 3-3665-3752

● **Nagase Chemical Co., Ltd.**

①Sale of dyestuffs, industrial chemicals, chemicals for
manufacturing paper, plastics and machinery
②¥60 million ③1995 ④100.0%
Libra Bldg., 3-2, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-5640-7431 Fax: (81) 3-5640-0791

● **Nagase Chemspec Co., Ltd.**

①Sale and technological servicing of chemicals
②¥30 million ③1976 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3726 Fax: (81) 3-3665-3746

● **Hoei Sangyo Co., Ltd.**

①Sale of film materials, magnetic products,
information imaging materials, etc. ②¥250 million
③1974 ④80.5%
Nagase Sangyo Honcho Bldg., 2-8,
Nihonbashi-Honcho 1-chome, Chuo-ku, Tokyo
Tel: (81) 3-3274-7880 Fax: (81) 3-3274-7882

● **OnFine Co., Ltd.**

①Manufacture and sale of electronics and fluorine
and polysilane variants for use in materials
②¥10 million ③2002 ④25.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6535-2585 Fax: (81) 6-6535-2174

● **Nishinohon Nagase Co., Ltd.**

①Sale of dyestuffs, auxiliaries, industrial chemicals
and plastics ②¥60 million ③1969 ④100.0%
7F, Nichido Fukuoka Dai-2 Bldg., 1-3, Shimokawabatamachi,
Hakata-ku, Fukuoka-City, Fukuoka
Tel: (81) 92-272-3661 Fax: (81) 92-272-3667

● **Nagase Plastics & Co., Ltd.**

①Sale of raw materials for plastics and plastic products
②¥96 million ③1975 ④100.0%
1-17, Shinmachi 1-chome, Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6533-1181 Fax: (81) 6-6533-1189

● **Nagase Barrel Finishing Systems Co., Ltd.**

①Sale of abrasives and grinding materials
②¥50 million ③1955 ④100.0%
3F, Osaka Anniks Bldg., 14-20, Itachibori 1-chome,
Nishi-ku, Osaka-City, Osaka
Tel: (81) 6-6543-7721 Fax: (81) 6-6543-7710

● **Nagase Beauty Care Co., Ltd.**

①Sale of cosmetics and health foods
②¥100 million ③1991 ④100.0%
5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo
Tel: (81) 3-3665-3617 Fax: (81) 3-3665-3724

Company name

①Description of business ②Paid-in capital (thousands) ③Date of establishment ④Equity ownership (*indicates indirect investment)

Address Tel/Fax

● Consolidated subsidiary ● Company accounted for under the equity method ● Affiliate ● Overseas office of Nagase Co., Ltd. ● Office of consolidated subsidiary

ASIA● **Shanghai Nagase Trading Co., Ltd.**

①International trade and trade consulting
 ②RMB1,656 ③1997 ④100.0%
 18F, Raffles City, No.268 Xizang Road Central,
 Shanghai, P.R. China 200001
 Tel: 86-(21)63403300 Fax: 86-(21)63403883

● **Shanghai Hua Chang Trading Co., Ltd.**

①Sale of resins and related products
 ②RMB19,864 ③1998 ④16.3%
 Room 605, Aviation Center, 1600 Nanjing Road
 West, Shanghai, P.R. China 200040
 Tel: 86-(21)62481133 Fax: 86-(21)62486533

● **Nagase ChemteX (Wuxi) Corp.**

①Manufacture and sale of adhesives and high-tech
 chemical products for electronics, technology service
 ②RMB28,970 ③2002 ④50.0%
 B-B, Machinery & Electronics Industry Park,
 Wuxi National Hi-tech Industrial Development
 Zone, Jiangsu Province, P.R. China 21400
 Tel: 86-(510)5200052 Fax: 86-(510)5200209

● **Tianjin Nagase International Trading Co., Ltd.**

①Import/export and marketing
 ②RMB2,482 ③2003 ④0.0%*
 Room 1005, 10/F., The Exchange Office Tower,
 189 Nanjing Road, Heping District, Tianjin,
 P.R. China 300050
 Tel: 86-(22)83191231 Fax: 86-(22)83191122

● **Nagase Precision Plastics Shanghai Co., Ltd.**

①Plastic tray molding
 ②RMB16,512 ③2001 ④94.0%
 B-Block, 1F, 173 Meisheng Road, Wai Gao Qiao
 Free Trade Zone, Pudong, Shanghai, P.R. China 200131
 Tel: 86-(21)58681661 Fax: 86-(21)58681667

● **Nagase Plastics Design and Die (Tianjin) Co., Ltd.**

①Design of automotive components and plastic products
 ②RMB2,483 ③2003 ④50.0%
 Room 1005, 10/F., The Exchange Office Tower, 189 Nanjing Road,
 Heping District, Tianjin, P.R. China 300050
 Tel: 86-(22)83191234 Fax: 86-(22)83191122

● **Guangzhou Nagase Trading Ltd.**

①Import/export and marketing ②RMB1,655
 ③2002 ④0.0%*
 Room 3303-05, CITIC Plaza Office Tower, 233 Tian
 He Bei Road, Guangzhou, P.R. China 510613
 Tel: 86-(20)38911101 Fax: 86-(21)38911103

● **NCC Shanghai Techno Center Co., Ltd.**

①Testing operations for paints and finishing processes
 ②RMB2,445 ③2002 ④0.0%*
 6F, No.75 Bldg. No.1066 Qinzhou North
 Road Caohejing Hi-Tech Park, Shanghai,
 P.R.China 200233
 Tel: 86-(21)54261812 Fax: 86-(21)54261811

● **NWP International Trading (Shen Zhen) Co., Ltd.**

①Sale of plastic products in South China
 ②US\$1,200 ③2004 ④0.0%*
 No.201, Building 6C, International Commercial
 Center, 1001 Hong Hua Road, Futian Free Trade
 Zone, Shenzhen, Guangdong, China
 Tel: 86-(755)83599372 Fax: 86-(755)83580547

● **Toyo Quality One Ningbo Co., Ltd.**

①Manufacture and sale of polyurethane
 ②US\$3,350 ③1993 ④24.2%
 No.302 Chengnan East Rd., Cicheng Town,
 Jiangbei Dist., Ningbo City, Zhejiang, China
 Tel: 86-(574)8757-0057 Fax: 86-(574)8757-0885

● **Guangzhou Kurabo Chemicals Co., Ltd.**

①Manufacture of molded urethane products for automobiles
 ②US\$7,000 ③2001 ④20.0%
 Jingquan 1st Rd., Yonghe Economic Zone,
 Guangzhou Economic & Technological
 Development Dist., Guangzhou City, Guangdong, China
 Tel: 86-(20)8297-0557 Fax: 86-(20)8297-0551

● **Totaku Industries Suzhou Co., Ltd.**

①Manufacture and sale of plastic products
 ②US\$1,700 ③2005 ④0.0%*
 9 Datong Road Export Processing Zone,
 Suzhou New & Hi-tech District, Suzhou, China
 Tel: 86-(512)6269-6006 Fax: 86-(512)6269-6008

● **Nagase (Hong Kong) Ltd.**

①Import/export, trade agency, market development,
 information collection ②HK\$3,120 ③1971
 ④100.0%
 Suite 3901 & 3912-14, Tower 6, The Gateway Harbour City, 9
 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China
 Tel: 852-23750000 Fax: 852-23772728

● **Nagase (Hong Kong) Ltd.,
Dalian Representative Office**

21F, Senmao Bldg., No. 147 Zhongshan Road,
 Xigang District, Dalian, P.R. China 116011
 Tel: 86-(411)83704270 Fax: 86-(411)83704272

● **Nagase (Hong Kong) Ltd.,
Guangzhou Representative Office**

Room 2317, CITIC Plaza Office Tower, 233 Tian
 He Bei Road, Guangzhou, P.R. China 510613
 Tel: 86-(20)38911101 Fax: 86-(20)38911103

● **Nagase (Hong Kong) Ltd.,
Tianjin Representative Office**

Room 1005, 10/F., The Exchange Office Tower,
 189 Nanjing Road, Heping District, Tianjin,
 P.R. China 300050
 Tel: 86-(22)83191231 Fax: 86-(22)83191122

● **Nagase (Hong Kong) Ltd.,
Shenzhen Representative Office**

Suite 1223 & 24, Kerry Centre,
 Renminnan Road, Shenzhen, P.R. China 518001
 Tel: 86-(755)25180683 Fax: 86-(755)82317089

● **Nagase International Electronics Ltd.**

①Management of electronics-related manufacturing
 businesses in Japan and overseas
 ②HK\$10,000 ③2004 ④80.0%
 Suite 3901 & 3912-14, Tower 6, The Gateway Harbour City, 9
 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, S.A.R., P.R. China
 Tel: 852-23762088 Fax: 852-23761666

● **Nagase (Taiwan) Co., Ltd.**

①Import/export, trade agency, market development,
 information collection ②NT\$45,000 ③1988
 ④100.0%
 4F-1, 248, Sec.3, Nanking E. Rd., Taipei, Taiwan, R.O.C.
 Tel: 886-(2)27733668 Fax: 886-(2)27737288

● **Nagase Wahlee Plastics Corp.**

①Sale of plastics and related products ②NT\$52,000
 ③1990 ④55.0%
 9F Chuan Ta Bldg., No. 37, Sec. 3, Min Chuan East
 Road, Taipei, Taiwan, R.O.C
 Tel: 886-(2)25062400 Fax: 886-(2)25062401

● **Nagase Engineering Service Korea Co., Ltd.**

①Equipment maintenance service and engineering
 ②WON150,000 ③1997 ④100.0%
 Anyang Trade Center No.925 1107 Bisan-Dong,
 Dongan-ku, Anyang City, Kyongki-do, Korea 431-050
 Tel: 82-(31)3890881 Fax: 82-(31)3890884

● **Nagase Korea Corp.**

①Retail sales ②WON700,000 ③2001 ④100.0%
 The Seoul Shinmun Daily & Press Center Bldg. 10F #25,
 1-Ga, Taepyung-ro, Chung-ku, Seoul, Korea
 Tel: 82-(2)7348745 Fax: 82-(2)7348747

● **Nagase (Thailand) Co., Ltd.**

①Import/export, trade agency, market development,
 information collection ②BAHT87,000 ③1989
 ④100.0%
 14F, Ramaland Bldg., 952 Rama IV Road, Khwaeng
 Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand
 Tel: 66-(2)6327000 Fax: 66-(2)6327111

● **Sanko Gosei Technology (Thailand) Ltd.**

①Manufacture of automobile components
 ②BAHT 270,000 ③1997 ④40.0%
 376 Moo 4 Suksawat Rd., Soi 36, Bangpakok,
 Rasburana, Bangkok 10140, Thailand
 Tel: 66-(2)4277008 Fax: 66-(2)4274923

● **Automotive Mold Technology, Co., Ltd.**
 ①Manufacture of automotive molds and dies
 ②BAHT 280,000 ③2000 ④0.0%*
 Amata City Industrial Estate 7/117 Moo 4, Mabyangporn
 Pluakdaeng, Rayong 21140, Thailand
 Tel: 66-(038)956151 Fax: 66-(038)956155

● **Nagase (Malaysia) Sdn. Bhd., Johor Bahru Office**
 Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi,
 Jalan Kuning, 80400, Johor Bahru, Malaysia
 Tel: 60-(7)3336088 Fax: 60-(7)3339088

● **Nagase FineChem Singapore (Pte) Ltd.**
 ①Manufacture and recycling of chemical agents for
 liquid crystals ②S\$8,000 ③2001 ④60.0%
 9 Tuas View Lane, Singapore 637569
 Tel: 65-68989289 Fax: 65-68985313

● **Nagase Singapore (Pte) Ltd., Vietnam Representative Office**
 Room 1809, Sun Wah Tower, 115 Nguyen Hue
 Boulevard, Dist. 1, HCMC, Vietnam
 Tel: 84-(8)8219166 Fax: 84-(8)8219139

● **Nagase & Co., Ltd., Mumbai Liaison Office**
 404, Vaibhav Chambers, Bandra-Kurla Complex (BKC),
 Bandra East, Mumbai 400 051, India
 Tel: 91-(22)26591337 Fax: 91-(22)26591408

● **Nagase (Malaysia) Sdn. Bhd.**
 ①Import/export, trade agency, market development,
 information collection ②RM1,500 ③1981
 ④51.0%
 Suite 16.01, Level 16, Menara IGB Mid Valley City,
 Lingkaran Syed Putra 59200 Kuala Lumpur, Malaysia
 Tel: 60-(3)22832366 Fax: 60-(3)22822933

● **Nagase Singapore (Pte) Ltd.**
 ①Import/export, trade agency, market development,
 information collection ②US\$1,738 ③1975 ④100.0%
 300 Beach Road, #39-00 The Concourse,
 Singapore 199555
 Tel: 65-63980088 Fax: 65-63980227

● **Chang Fong Overseas Enterprises (Pte) Ltd.**
 ①Sale of chemical products ②S\$1,000
 ③1980 ④85.0%
 31 Gul Circle, Jurong Industrial Estate,
 Singapore 629569
 Tel: 65-68623801 Fax: 65-68622655

● **P.T. Nagase Impor-Ekspor Indonesia**
 ①Import/export sales and import/export consulting
 ②US\$500 ③1998 ④90.0%
 Wisma Kyoei Prince, 21F Jl. Jend. Sudirman Kav.3
 Jakarta 10220, Indonesia
 Tel: 62-(21)57900391 Fax: 62-(21)57900392

● **Nagase (Malaysia) Sdn. Bhd., Penang Office**
 1-5-14&15, 5F, Krystal Point Corporate Park, Jalan
 Tun, Dr. Awang, 11900 Sungai Nibong, Penang,
 Malaysia
 Tel: 60-(4)6430628 Fax: 60-(4)6432490

● **Nagase Singapore (Pte) Ltd., Dubai Office**
 Lob#15-320, Jebel Ali Free Zone, P.O. Box 17865
 Dubai-United Arab Emirates
 Tel: 971-(4)8871366 Fax: 971-(4)8871377

● **Nagase & Co., Ltd., Hanoi Representative Office**
 Unit 807, Hanoi Tung Shing Square 2 Ngo Quyen
 Hoan Kiem Dist., Hanoi, Vietnam
 Tel: 84-(4)9350110 Fax: 84-(4)9350108

● **Nagase Philippines Corp.**
 ①Import/export and retail ②PHP45,839 ③1997
 ④77.0%
 18-B Trafalgar Plaza H.V. Dela Costa Street,
 Salcedo Village, 1227 Makati City, Philippines
 Tel: 63-(2)7502935 Fax: 63-(2)8118296

NORTH AMERICA

● **Nagase America Holdings Inc.**
 ①Holding company in the U.S.
 ②US\$1,000 ③2002 ④100.0%
 546 5th Avenue 16F, New York, NY 10036, U.S.A.
 Tel: 1-(212)7031340 Fax: 1-(212)3980687

● **Nagase Plastics America Corp.**
 ①Sales company focusing on plastics
 ②US\$1,000 ③2002 ④0.0%*
 Crystal Glen Office Center, Suite 356, 39555 Orchard
 Hills Place, Novi, MI 48375, U.S.A.
 Tel: 1-(248)3740490 Fax: 1-(248)3740497

● **Canada Mold Technology Inc.**
 ①Manufacture, sale and maintenance of metal molds
 ②C\$5,000 ③1989 ④53.0%
 1075 Ridgeway Road, Woodstock, Ontario,
 Canada N4V 1E3
 Tel: 1-(519)4210711 Fax: 1-(519)4210706

● **Nagase California Corp.**
 ①Import/export, trade agency, market development,
 information collection ②US\$2,200 ③1988
 ④100.0%
 710 Lakeway, Suite 135, Sunnyvale, CA 94085, U.S.A.
 Tel: 1-(408)3281520 Fax: 1-(408)7739567

● **Sofix Corp.**
 ①Manufacture and sale of color formers
 ②US\$20,000 ③1990 ④49.0%
 2800 Riverport Road, Chattanooga,
 TN 37406-1721, U.S.A.
 Tel: 1-(423)6243500 Fax: 1-(423)6243587

● **Nagase America Corp.**
 ①Import/export and sale of chemical products and
 electronic materials ②US\$1,000 ③1971 ④0.0%*
 546 5th Avenue 16F, New York, NY 10036, U.S.A.
 Tel: 1-(212)7031340 Fax: 1-(212)3980687

● **Design and Die USA Inc.**
 ①Design of automotive components and plastic products/die
 sales ②US\$200 ③2002 ④25.0%
 Crystal Glen Office Center, Suite 356, 39555
 Orchard Hills Place, Novi, MI 48375, U.S.A.
 Tel: 1-(248)3740490 Fax: 1-(248)3740497

EUROPE

● **Nagase & Co., Ltd., London Branch**
 Room No. 202 12 St. James's Square, London SW1Y
 4RB, U.K.
 Tel: 44-(870)3517200 Fax: 44-(20)78496226

● **Nagase (Europe) GmbH**
 ①Import/export, trade agency, market development,
 information collection ②€ 700 ③1980 ④100.0%
 Immermannstrasse 65c 40210 Dusseldorf, Germany
 Tel: 49-(211)866200 Fax: 49-(211)3237068

● **Nagase (Europe) GmbH, Hungary Representative Office**
 MADACH TRADE CENTER BT, H-1075 Budapest,
 Madach I. ut 13-14, Hungary
 Tel: 36-(1)2681705 Fax: 36-(1)2681706

Company Information

(As of March 31, 2005)

About Nagase & Co., Ltd.

Company Name: Nagase & Co., Ltd.

Founded: June 18, 1832

Established: December 9, 1917

Paid-in Capital: ¥9,699,714,135

Number of Employees: 811 (Consolidated: 3,203)

Main Business: Import/export and domestic sales of dyestuffs, chemicals, plastics, machinery, electronics materials, cosmetics, health foods and medical equipment

Main Offices: Osaka Head Office: 1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668 Tel: (81) 6-6535-2114
Tokyo Head Office: 5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355 Tel: (81) 3-3665-3021
Nagoya Branch Office: 3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560 Tel: (81) 52-963-5615
Nagase R&D Center: Kobe High Tech Park, 2-2-3, Murotani, Nishi-ku, Kobe City, 651-2241 Tel: (81) 78-992-3162

History

- 1832** ● Nagase founded in Kyoto as a dyestuffs trading concern
 - Sales of dyestuffs, starches and funori seaweed
- 1893** ● Established Osaka branch office
- 1898** ● Head office switched to Osaka, branch office to Kyoto
- 1900** ● Established business ties with Basel Chemical Co., of Switzerland (now Ciba Specialty Chemicals Ltd.)
- 1911** ● Established Tokyo branch office
- 1917** ● Inaugurated as Nagase Shoten Company with capital of ¥3 million
- 1923** ● Established business ties with Eastman Kodak Co., of the United States
- 1930** ● Concluded exclusive distributorship agreements with Union Carbide and Carbon Corp., of the United States
- 1940** ● Established Nagoya branch office
- 1943** ● Company name changed to Nagase & Co., Ltd.
- 1964** ● Listed Company shares on the Osaka Securities Exchange
- 1968** ● Concluded an exclusive distributorship agreement with General Electric Co., of the United States
- 1970** ● Established Nagase-CIBA Ltd. (now Nagase ChemteX Corp.) jointly with Ciba-Geigy Ltd.
 - Listed Company shares on the Tokyo Stock Exchange
- 1971** ● Established Nagase (Hong Kong) Ltd. and Nagase America Corp. (now Nagase America Holdings Inc.)
 - Established Engineering Plastics, Ltd. (now GE Plastics Japan Ltd.), jointly with General Electric Co.
- 1974** ● Established Nagase Landauer Ltd. jointly with Technical Operations, Inc., of the United States
- 1975** ● Established Nagase Singapore (Pte) Ltd.
- 1980** ● Established Nagase (Europa) GmbH and Chang Fong Overseas Enterprises (Pte) Ltd.
- 1982** ● Established Nagase (Malaysia) Sdn. Bhd.
- 1985** ● Established Nagase & Co., Ltd., Seoul branch office
- 1988** ● Established Nagase California Corp. and Nagase (Taiwan) Co., Ltd.
- 1989** ● Established Canada Mold Technology Inc.
 - Established Nagase (Thailand) Co., Ltd.
 - Established Nagase Science and Technology Foundation
 - Tokyo branch office became head office; adoption of Osaka/Tokyo two head office system
- 1990** ● Established Sofix Corp.
 - Set up the Nagase R&D Center in Kobe
 - Established joint venture Nagase Wahlee Plastics Corp. (Taiwan)
- 1992** ● Established London branch office
- 1997** ● Established Nagase Philippines Corp. and Shanghai Nagase Trading Co., Ltd.
- 1998** ● Established P.T. Nagase Impor-Ekspor Indonesia
- 2001** ● Closed the Seoul branch office, and established Nagase Korea Corp.
 - Merged four production companies, and established Nagase ChemteX Corp.
 - Established Nagase Finechem Singapore (Pte) Ltd.
- 2002** ● Established Nagase America Corp. and Nagase Plastics America Corp.
 - Established Nagase ChemteX (Wuxi) Corp.
 - Established a representative office in Hungary
- 2004** ● Established Nagase International Electronics Ltd.

Investor Information

(As of March 31, 2005)

Stock Listings: First Sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

Ticker Code: 8012

Authorized Number of Shares: 346,980,000

Issued Number of Shares: 138,408,285

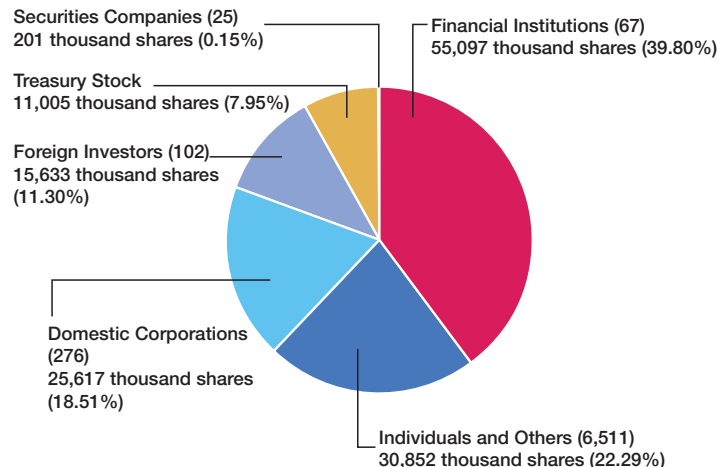
Number of Shareholders: 6,982

Principal Shareholders

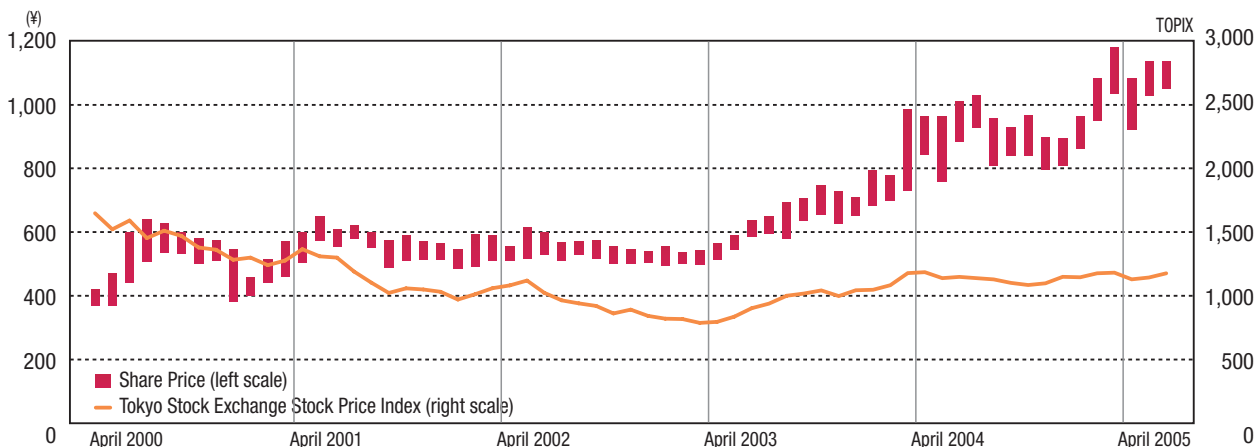
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding
The Master Trust Bank of Japan, Ltd.	10,205	7.37
Japan Trustee Services Bank, Ltd.	9,346	6.75
The Sumitomo Trust & Banking Co., Ltd.	6,171	4.46
Sumitomo Mitsui Banking Corporation	4,377	3.16
Hiroshi Nagase	4,153	3.00
Nippon Life Insurance Company	3,984	2.88
Reiko Nagase	3,522	2.54
Mitsui Sumitomo Insurance Co., Ltd.	2,951	2.13
The Bank of Tokyo-Mitsubishi, Ltd	2,825	2.04
Nagase Shunzo Co., Ltd.	2,749	1.99

Note: In addition to the above, the Company holds 11,005 thousand shares of treasury stock without voting rights.

Composition of Shareholders

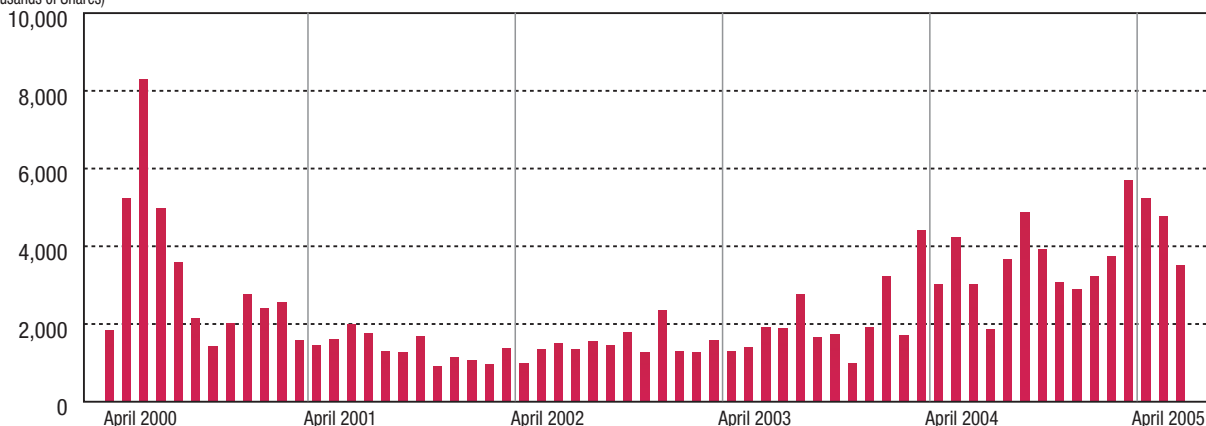


Monthly Share Price Range of Nagase



Monthly Trading Volume

(Thousands of Shares)



NAGASE & CO., LTD.

Osaka Head Office:

1-1-17, Shinmachi, Nishi-ku, Osaka City, Osaka, 550-8668

Tel: (81) 6-6535-2114

Tokyo Head Office:

5-1, Nihonbashi-Kobunacho, Chuo-ku, Tokyo, 103-8355

Tel: (81) 3-3665-3021

Nagoya Branch Office:

3-14-18, Marunouchi, Naka-ku, Nagoya City, 460-8560

Tel: (81) 52-963-5615

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



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