

Results for the first of fiscal 2000 (April 1, 2000 to September 30,2000)

Management policy

1. Basic management policy

Management Philosophy

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.

Keeping in mind of the above Management Philosophy, we are looking forward to be "the Technology and Intelligence Oriented Company that turns wisdom into business " as the 21st century new management vision.

This vision is based on a thought "that there is every answer in the market" and without adhering to the type of trading operation as "a business firm", we do our best to develop of our business by driving customer oriented business with wisdom added experience to our "technology" and "information".

We are now under economic conditions in which we can finally see the light at the end of the tunnel, but the market demands us steady continuous changes and we cannot expect any stable commercial rights . We recognize the passing over the era when simple mediation of business could meet the need of society and we think we are now in the age when any company alone cannot fulfil a whole function of business. It is imperative for us to be able to offer enough function for customers to chose us without hesitation as their reliable partner in their creating new value. It is also imperative for us to substantiate R&D function and manufacture capacity, buildup of physical distribution strength, and to keep as well as expand mutual confidence long cultivated between peoples of many business partners domestic and abroad, and among of all, reinforcement of our human resources. In line with the above, we will gather up our business field and continue to offer business proposals steadily to the market.

2. Basic policy about profit distribution

Our basic policy is to buildup corporate strength and carry on a stable dividend distribution while securing retained earnings for future business development.

For internal reserves, we will put it to the practical use for effective investments on the prospective business in the future as well as intensifying our financial capability under coming more and more severe future business environment. In addition, we think that we want to

make profit return to shareholders time to time by enforcing buybacks and scrapings of stock with earned profit.

3. Mid-to-long term management strategy

We have introduced from this April the medium-term management plan "WIT2000" (Wisdom, Intelligence, Technology) which sets with important business strategy and objective to achieve for three years through to the end of fiscal 2003. Allocating Capital stock to each of our business division and showing Nagase ROE (NROE) (see the note) as new management indicators, we will raise NROE on consolidated base to 7 % in fiscal 2003. Fundamentals and definite procedures of this plan are as follows;

We aim to gain the revenue more than capital cost and we will positively make investments in strategically important field within limits of Nagase profit in principle in order to continue to grow with profit. We consider electronics and health care area as our strategically important fields. In May, this year, we have established a new organization, Nagase ChemteX Ltd., by making Nagase-Ciba Ltd., a joint corporation with Ciba Specialty Chemicals, 100% our subsidiary for strengthen electronic field business mainly on liquid encapsulation material for next generation semiconductor package.

Moreover, we have introduced technology of semiconductor wafer technology from Packaging Technologies GmbH in the same field and established Bumping Technology Co., Ltd. with Kiyokawa Plating Industry Co., Ltd. as a manufacturing joint venture.

As a part of serious consideration to consolidation combination management, we are looking into reorganization through integration and abolition in order to reinforce manufacturing and sales force. For chemical manufacturing, we reinforced our fine chemical manufacturing capacity through a merger of two companies of Nagase Chemicals Ltd. and Nagase Electronic Chemical Co., Ltd. April, this year.

For sales force, we integrated our four dyestuff sales companies into one Nagase Color & Chemicals Co., Ltd. for strengthen sales force as well as financing ability in order to evolve regional oriented business April, this year.

Moreover, we are planning integration of our four chemical manufacturing subsidiaries by April, 2001 as a deadline in order to buildup development and manufacturing power of our current subsidiaries including our R&D Center.

We divide business domain into four segments of chemical products, plastics, electronics, and health care and define clearly core and challenge business for each segment so as to concentrate resources.

By implementation of this plan, we aim at Nets Sales of 640 billion yen on consolidated base, operating income of 9.2 billion yen and current term net profit of 8.3 billion yen for fiscal 2003.

(Note)

NROE = Nagase profit / the beginning of a period equity capital

Nagase profit = profit after tax + (depreciation \pm appraisal profit/loss) \times (1-effective tax rate).

Nagase profit means so-called business cash flow created by operating activities.

4. Subject that the Company should deal with

(1) Upbringing of new business

Though there is still much room for us to play our role in intermediary transaction of raw materials, we will attempt upbringing of new business with M&A in our scope from now on beyond a business framework of a conventional trading company a business firm as before in future. In the field of business, we will make more aggressive investment on electronics, health care business. We particularly put emphasis on semiconductor / liquid crystal related products for electronics and health food-related products for health care.

(2) Reinforcement of overseas business development

Current ratio of overseas transactions is 31 % in figure, mainly plastics for Asia but we will cope with changes in reality, paying more attention to other regions and fixing our eyes on regional shifting of big industries.

(3) Reinforcement of our group manufacturing companies

By enforcement of consolidated management with divisional operational unit, we will concentrate management resource on the highest strategic business of a whole group and are planing an integration of our four manufacturing subsidiaries for strengthen our manufacturing capability within our group including integration and abolition of business. Moreover, we also consider competitive power up by not only rely on our force within group but also through alliance with the other companies, capital participation and M & A.

(4) Reinforcement of IT

How make use of IT will decide the growth of company. From now on, we will construct new sales channel by making practical use of Internet by not only rely on internal management resources but also making use of external force for improve productivity. In August, last year, we set up "E-Commerce committee " and opened the web-site for selling diet food, "Web Diet", and "Nagase direct" for selling DVD decoder, motion picture and game soft and in January, this year, we did "pluswood" for selling new building materials respectively.

Moreover, we will arrange our office infrastructure so as to get output of management indicators in real time in order to cope with information age and speed management.

(5) Our deals with environmental problem

On April 28, 2000, we have obtained the certificate of ISO 14001, the international environment management standard, for our Tokyo and Osaka Head offices, Nagoya branch office, R&D Center, and each sales offices of Nagase.

We established "terrestrial environment committee " May, last year and decided our environmental policy. Since then, we have devoted our efforts as a whole group for environmental conservation activity including construction of environment management system. Particularly, we declare "business promotion in concert with environment" as our environmental policy and we make it our featured activities to contribute environmental conservation through expansion and creation of ecobusiness.

Business performance

1. Review of the first of fiscal 2000 (April 1,2000 to September 30,2000)

Environment

Japanese economy during this period showed a mild improvement with private plant and equipment investment, though the public investments were less than that of the past year; however, personal consumption was dull because of high jobless rate of severe employment situations as well as prevailing public feeling for no increase in personal income; thus full scale demand recovery were not yet come.

For overseas economy, the U.S. economy is favorably going on as well as Europe and Asian countries are enjoying successive economic growth.

Under these circumstances, our operating performance was as follows;

(Note)

As this is the first year for announcement of our consolidated interim financial statements, we show the ratio over the previous FY year instead of the ratio of corresponding period of last year for indication of business outlook of this term.

Consolidated Sales

The net sales of this interim period were 286.24 billion yen, with the previous FY of 50.4 %.

Domestic sales were 196.99 billion yen with the previous FY of 48.7 %, and overseas sales were 89.25 billion yen with the previous FY of 54.4 %.

Review of Operations

【 Chemicals Business Group 】

Net Sales: 120.59 billion yen (48.2% over previous FY)

Crude oil price increased but affected little on the total business of this division, and domestic sales of specialty chemicals including coating materials, pigments, plastic additives for end-use in automobile, information and communications industries that are belongs to domestically favorable business area went on favorably.

On the other hand, fine chemicals remained substantially lower than the level of last year as the influence of depressed export of pharmaceutical intermediates and raw materials.

In this field, we positively performed the marketing that is utilized chiral technology accumulated by our R&D Center as a prospective strategic arrangement.

【 Plastics Business Group 】

Net Sales:103.92 billion yen (53.9% over previous FY)

With mild business recovery, domestic sales of plastics and its products for automobile, and resins and machines and device for OA equipment and tool were increased.

Overseas sales of engineering plastics for business machine and home electronics in Asia was substantially increased due to favorable economic climate and production shifting to Asia from Japan.

Also sales to the U.S. with plastics and molds for automobile went on favorably.

【 Electronics Business Group 】

Net Sales: 55.06 billion yen (50.2% over previous FY)

By pull demand from world information's and communications-related market, electronic component-related business went on favorably, particularly, overseas assembly business of small LCDs module, and chemicals supply system for manufacturing TFT LCDs, post processing materials for semiconductors registered significant increase.

On the other hand, export of large-sized TFT LCDs module decreased substantially due to deterioration of the market caused by rapid increase of local production in Korea and Taiwan.

【 Health Care Business Group 】

Net Sales: 6.66 billion yen (42.1% over previous FY)

For the Medical Care Products Division, clinical information and infectious disease associated equipment were shifted favorably but sales as a whole was drastically decreased due to transfer of sales rights of biochemical inspection related equipment to other company.

For the Beauty Care Products Division, new cosmetics for summer use and new health food showed favorable results but cosmetics and health food area as a whole remained slight increase in sales.

Consolidated profit and loss

Thanks to favorable results of consolidated subsidiaries, gross profit was 28.4 billion yen with 51.4 % over previous FY , and operating income was 4.19 billion yen with 51.5 % over previous FY , as well as the ordinary income was 5.28 billion yen with 53.5 % over previous FY .

And the current term net income was 2.98 billion yen with 46.8 % over previous FY due to increase of taxable income.

Consolidated cash flow status

Cash flow by operating activities was 8.26 billion yen mainly due to operating income but cash flow by investing activities was 4.07 billion yen due to aggressive purchasing of stocks of affiliated companies.

Cash flow by financing activities was 5.62 billion yen due to payments of for CP borrowed money reimbursement and payment of dividends, as well as having enforced buybacks and scrapings of stock as the means of profit return to shareholders.

As a result cash and cash equivalents were 1.24 billion yen.

In the meantime, the balance of cash and cash equivalents was 1.03 billion yen comparing to the previous year, but this was due to 2.27 billion yen increase of cash and cash equivalents as the results of merge and new consolidation.

Enforcement of dividend and depreciation by purchase of treasury stocks

For dividend, we plan to 8 yen per share as same as the previous term based on our management policy for stable dividend.

Further, for the purpose of profit return to shareholders, we continue perform depreciation by purchase of treasury stocks as same as we did in last year, and actual depreciation by purchase during this interim period was one million stocks, worth of 439 million yen.

Moreover, shares authorized (1.6 million stocks, worth of one billion yen) was decided at Board of Directors' meeting held on October 16, 2000, based on shares authorized for depreciation of treasury stocks to Board of Directors decided afresh (14 million stocks) at ordinary general stockholders' meeting held on June 29, 2000, and depreciation by purchase is now carried on.

2. Prospects on next term

	(million yen)		
	Net Sales	Ordinary income	Net income
as of March, 2001	570,000	10,600	5,200
as of March, 2000	568,293	9,885	6,371
previous year	100.3%	107.2%	81.6%

Regarding economic prospects in future, we expect private plant and equipment investment continue to up, but no remarkable improvement in personal consumption is seen due to no increase of personal income under severe employment situations, so we have to consider continuance of poor economic recovery for a while.

Under these circumstances, prospects of each operating division is as follows:

【 Chemicals Business Group 】

Sales: 240 billion yen, 4.0% down against previous year

Naphtha price increase due to escalation of crude oil price spreads over the markets and this may affect gradually on a part of products of our line but we feel the influence of naphtha price increase may not so serious for us. Under these circumstances, we expect continuous favorable trend in automobile and information's & communications fields, and so to our domestic sales specialty chemicals including coating materials, pigments, plastic additives; however, affects of inactive business in the field of pharmaceutical intermediates may result in less sales than previous year as a whole.

【 Plastics Business Group 】**Sales:207 billion yen, 7.4% up against previous year**

For domestic sales, we expect sells increase by starting 'pulswood", new wood material, on the market. For overseas sales, sales during the latter half of term may be as same as in the first-half, and result in increase in sales as a whole, even though there is some unfavorable factors such as slowdown demand of engineering plastics.

【 Electronics Business Group 】**Sales: 109.5 billion yen, 0.2% down against previous year**

We expect large growth in sales of chemical supply system and its related materials due to effect of plant and equipment investment for large-sized TFT liquid crystal in the Republic of Korea and Taiwan. We expect the same level of sales as was last year as a whole though there may be temporarily sales down due to withdrawal from export agent business for semiconductor encapsulation material because we will take strategic conversion of exports to our subsidiaries' products.

【 Health Care Business Group 】**Sales: 13.5 billion yen, 14.7% down against previous year**

For beauty care-related, though there is a change in consumer needs from high quality products to lower price products, we expect slight sales increase by putting new products on the cosmetic market and sales promotion of health food.

For medical care-related, however, we expect sales decrease as a whole due to drastic sales down by transfer of sales right for biochemical inspection related products to other company , even though we will start up electronic chart business and nursing care-related business.

Meantime, savings shorts of retirement payment debt (difference at the time of change of

accounting standard) as of the end March, 2000 was 6.9 billion yen but we depreciated 1.6 billion yen by contribution to retirement payment trust during this interim period and did also 2.7 billion yen by our internal mortgage, making total depreciation 4.3 billion yen during this interim period and the balance we will depreciate during the second half of this term as well. Against for these depreciation, we will appropriate extraordinary profit of equivalent amount by retirement payment trust contribution gain and disposal gain of holding on assets and others.

As a result of the above, we expect as follows; Sales; 570 billion (0.3 % up against previous year) Ordinary income; 10.6 billion yen (7.2 % up against previous year) Net income: 5.2 billion yen (18.4 % down against previous year)