Summary of Consolidated Business Results for the Year Ended March 31, 2004

April 30, 2004

Company Name Nagase & Co., Ltd
Listing Code 8012
(URL http://www.nagase.co.jp)
Stock Exchanges Listed: Tokyo, Osaka
Location of Head Office: Osaka Prefecture
Representative Position President Hiroshi Nagase
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Date of Board of Director's Meeting for Settlement of Accounts April 30, 2004
Adoption of U.S. GAAP: No

1. March 31, 2004 Consolidated Results (April 1, 2003 – March 31, 2004)

1) Consolidated Operating Results

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

	Net Sales		Operating Income		Recurring income	
	¥ Millions	%	¥ Millions	%	¥ Millions	%
Period Ended March 31, 2004	533,301	5.9	10,244	21.5	13,110	16.2
Period Ended March 31, 2003	503,688	2.7	8,433	403.9	11,284	138.1

	Net income		EPS	Fully Diluted EPS	Shareholder Net Income Rate for this Fiscal Year	Shareholder's Equity Ratio	Sales Operating Income Rate
	¥ Millions	%	¥	¥	%	%	%
Period Ended March 31, 2004	7,010	67.4	54.69	-	4.7	4.4	2.5
Period Ended March 31, 2003	4,186	-	31.72	-	2.9	3.9	2.2

Notes:
1. Gain (loss) on equity method investment
   Period ended March 31, 2004: ¥437 million Period ended March 31, 2003: ¥485 million
2. Average number of shares during the consolidated accounting period
   Period ended March 31, 2004: 127,195,732 Period ended March 31, 2003: 130,109,906
3. Changes to Accounting policies: Yes
4. The percentage figures for sales, operating income, recurring income, and net income represent increases (decreases) relative to the previous year's results.

2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
Period Ended March 31, 2004	310,793	156,210	50.3	1,227.82
Period Ended March 31, 2003	284,800	140,944	49.5	1,107.55

Notes:
Shares issued and outstanding at the end of the consolidated accounting period:
Year ended March 31, 2004: 127,181,787
Year ended March 31, 2003: 127,204,375

3) Consolidated Cash Flows

	Net Cash from operating activities	Net Cash Used for Investment Activities	Net Cash Used for Financial Activities	Balance of Cash and Cash Equivalents at Term End
	¥ Millions	¥ Millions	¥ Millions	¥ Millions
Period Ended March 31, 2004	6,431	-1,689	-1,832	21,033
Period Ended March 31, 2003	4,392	963	-7,643	19,044

4) Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries: 31
Non-consolidated affiliated companies covered by equity method accounting: 0
Affiliated companies covered by equity method accounting: 9

5) Changes to Scope of Consolidation and Application of Equity Method
Consolidated Subsidiaries (New): 2 (Excluded): 0
Equity Method (New): 1 (Excluded): 1

2. Consolidated Forecasts for the Year Ended March 31, 2005 (April 1, 2004 - March 31, 2005)

	Net Sales	Recurring Income	Net Income
	¥ Millions	¥ Millions	¥ Millions
Interim Period	284,000	6,900	4,000
Whole Year	568,000	14,200	9,500

Reference: Annual net income per share is projected to reach ¥74.30
*The above forecasts were prepared on the basis of information available on the date of release. Actual results may differ from these forecasts due to various factors.

Management Policy

1. Basic Management Policy

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.

With this management philosophy in mind, we have developed a new slogan "technology- and intelligence-oriented company that turns wisdom into business", and from April 2003, we adopted a long-term vision as follows.

> To provide new "capabilities" and "services" worldwide based on our chemical business, so as to become a company that keeps creating value-added businesses capable of solving issues for customers. Our business target in ten years is a consolidated operating income of ¥20 billion with gross profit ratio of 15% and earnings higher than capital costs.

Our vision is based on the belief that all answers can be found in the market. Our aim is to strictly apply a customer-oriented approach, make use of our technology and intelligence, along with wisdom gained through experience, provide our functions and services worldwide, and ultimately increase earnings.

Due to ever-diversifying customer demands, we cannot expect our business to grow steadily based on simple intermediary functions. We do, however, acknowledge that no company can fulfill all functions by itself in this day and age. To help customers create new value, we will continue to enhance our functions in order to be chosen as a reliable business partner by customers without hesitation, and persevere in proposing businesses to the market.

2. Basic Profit Sharing Policy

Our basic policy is to strive to further enhance our corporate structure and earning power, so that we can continue to generate steady dividends for our shareholders.

Dividends for this fiscal year are projected at ¥9 per share, including an ordinary dividend of ¥8 plus a commemorative dividend of ¥1 paid in celebration of the 40th anniversary of Nagase's listing on the Stock Exchange.

We intend to effectively use internal reserves to enhance our future business activities and management foundations. In fiscal 2002, we introduced a stock option scheme aimed at boosting the motivation and morale of employees within the Group to improve their performance, and at further increasing Nagase's corporate value by sharing common interests with our shareholders. During this consolidated fiscal year, we issued rights to purchase new shares in the form of stock options to Directors, Auditors, Executive Officers and Managers of the Company, as well as Directors and individuals with an equivalent title in its subsidiaries, increased the number of stocks granted under the scheme, expanded the scope of individuals subject to the scheme.

3. Approach, Policy, etc. for Reduction of Investment Unit

We acknowledge that the reduction of minimum investment unit is an effective means to encourage individual investors to participate in the stock market, and ultimately improve the liquidity of stock. We intend to look into measures to reduce the minimum investment unit, taking into account our business performance, market conditions and other factors, after carefully examining their costs and benefits.

4. Targeting Management Performance Indicators and Company's Mid-term and Long-term Management Strategy

In April 2003, the Company launched a new three-year Medium-term Management Plan dubbed "WIT21" (W: Wisdom, I: Intelligence, T: Technology). Based on the aforementioned new long-term vision, WIT21 first envisioned the Company's status in ten years time, that is, to post consolidated operating income of ¥20 billion and a consolidated gross profit margin of 15% in the year ended March 2013, generating earnings in excess of capital costs. As a stepping stone to achieve this, we have set targets at ¥550 billion in consolidated net sales and ¥11 billion in consolidated operating income for the year ended March 2006, which is the final year for WIT21. At this rate, however, we are likely to achieve these targets earlier than expected, in the year ended March 2005, which is the second year of WIT21. As for the management performance indicator, we have decided to give top priority to operating income. This is based on the view that Return on Equity (ROE), which can only be expressed in terms of a percentage, does not necessarily accurately reflect the earnings performance, whereas operating income clearly shows the absolute value and changes in business results.

The basic strategy for achieving this is to tackle three areas, namely,
（ｉ）Differentiate Nagase from the competition by strictly taking a customer-oriented approach;
（ⅱ）Nurture and strengthen market-leading businesses; and
（ⅲ）Make use of Nagase Group’s functions and distinctive identity to create new businesses.

Our aim is to provide customers with superior products and services that are in demand in the marketplace, by creating business models and through proposal-oriented activities that enable us to take the initiative and maintain it, rather than by merely acting as an intermediary, while taking advantage of our excellent relationship with as many as 6,000 blue-chip client companies, which we have developed over many years, in addition to our production, R&D and sales functions within the Group.

The areas in which these basic strategies will be implemented are:
(1) Electronics;
(2) Life science;
(3) Automotive; and
(4) Overseas operations.

These are defined as strategic business areas, where we will concentrate our management resources and strive to increase operating revenues. We believe we can demonstrate our strengths in these four areas based on our existing business foundations. At the same time, we expect the market to grow substantially with respect to these business areas.

We believe it is important that each and every employee takes on the spirit of an entrepreneur, sets high goals for him/herself and persistently makes efforts to fulfill them, so that all employees within the Group "create businesses" through concerted efforts. Accordingly, human resources development is also one of the crucial strategies for achieving the targets under WIT21. We are thus enhancing our management education programs and training programs aimed at improving their skills for planning and executing business strategies. We are also constantly giving employees the opportunity to discuss business strategies with the top management, so that they will widely take on the "challenger's spirit" through lively discussions.

As a result of these efforts, we posted ¥533.3 billion in consolidated net sales, ¥10.2 billion in consolidated operating income, and a consolidated gross profit margin of 10.0% for the year ended March 2004, which was the first year for WIT21.

5. Challenges to be made by the Company

(1) Enhancement of Strategic Business Areas

We are concentrating our management resources in the strategic business areas, including business investment, in order to fulfill the aforementioned Medium-term Management Plan "WIT21" and to further increase earnings in the long run.

(Electronics)

The electronics industry is expected to continue experiencing dramatic growth on a global scale in the future. In an effort to bolster our presence in the electronics market, we are expanding into non-chemical periphery materials and into downstream operations—such as the sale, processing and assembly of components and even the sale of final consumption goods—based on our chemical products business targeting the electronics industry which we have nurtured over many years, including agents and abrasives for semiconductor production, materials for LCD devices, etc. We established manufacturing subsidiaries in Singapore and China (Wuxi), aimed at applying Nagase ChemteX Corporation's expertise in manufacturing proprietary products overseas, especially in Asia. Nagase Finechem Singapore (Pte) Ltd. is now operating commercially, having completed the construction of facilities for the recycling of agents, a task in which we excel domestically, in addition to producing agents used in the manufacturing of semiconductors and liquid crystal. Also, Nagase ChemteX (Wuxi) Corp., which is a manufacturer of formulated epoxy resins in China, also started operating commercially in December 2003, and will expand its manufacturing capacity and promote the local procurement of raw materials in fiscal 2004, to improve its cost competitiveness. We also established Nagase International Electronics Ltd. in March 2004, aimed at further reinforcing our existing business concerning the processing and assembly of LCD devices overseas. Through this new company, we will strive to enhance and expand processing plants in South China and improve their efficiency. Regarding the sale of final consumption goods, we are investing in a sales management system, etc. for the purpose of further improving our competitiveness by raising the efficiency of sales.

(Life Science)

The pharmaceutical industry is currently undergoing reorganization on a global scale, due to the race to develop new drugs, especially genome drug discovery. Further, competition between pharmaceutical companies is intensifying in Japan, due to the impact of the reduction in National Health Insurance (NHI) drug prices. Pharmaceutical companies are expected to heavily promote the outsourcing of drug manufacturing tasks, based on the revision of the Pharmaceutical Affairs Law scheduled in 2005.

In these circumstances, we are engaging in activities aimed at assisting the streamlining of customers, utilizing R&D functions and manufacturing functions. Specifically, our business focuses on three areas: support for new drug development; support for existing and generic drugs; and support for drug discovery. To achieve their goals, Nagase R&D Center engages in research activities, while Nagase ChemteX Corporation operates a small-scale production facility for pharmaceutical intermediates. As for the original plan to establish a full-fledged mass production facility with Current Good Manufacturing Practice (c-GMP) approval, we decided to postpone its establishment for the time being, due to the need to review the items that can be manufactured and to make the facility more versatile and flexible. We will further deepen the collaboration between Nagase R&D Center and outside research institutes, and enhance our contract pharmaceutical synthesis business.

For the sale of cosmetics and health foods, we have shifted the sales functions to Nagase Beauty Care Co., Ltd. in order to further improve our mobility and competitiveness. We will generate synergy effects based on the diversification of sales channels, combined with sales at retail outlets in the Tokyo Metropolitan Area.

(Automotive)

The automobile industry is in the era of full-fledged global production, encompassing not only automakers but also components manufacturers. Production plants are increasingly shifting to the United States, Central Europe, China, etc. Opportunities to build new businesses are also increasing, as the scope of their demand-and-supply relationship is broadening to the extent of undermining the traditional "keiretsu" framework.

Based on our relationship with clients which we have built by selling them raw materials for plastics, we have been expanding our business domain, including expanding into the molding business for automotive components, integrating the components design business with the molding business, executing purchases on behalf of customers at overseas plants, and developing a supply management system in both Japan and overseas. We have enhanced our sales offices to improve these functions since fiscal 2001 (including incorporating the Guangzhou office as Guangzhou Nagase Trading Ltd., and establishing Nagase Plastics America Corp.), and established Design &

Die Co., Ltd., which integrates the design and mold production of automotive components. In fiscal 2002, we even opened a representative office in Hungary. In fiscal 2003, we reinforced the structure of the sales office in London by placing the branch under the direct control of the head office, and incorporated the office in Tianjin, which is the automobile industry's hub in North China, into Tianjin Nagase International Trading Ltd. We also established Nagase Plastics Design and Die (Tianjin) Company Ltd. as the overseas version of Design & Die Co., Ltd. in term of functionality, and made equity contributions to Design & Die USA Inc. (Michigan, USA) established in October 2002, which is making preparations towards full-scale operation. We also increased the capital of Toyo Quality One Ningbo Co., Ltd. and Guangzhou Kurabo Chemicals Co., Ltd., which are both urethane-related joint ventures in China, in order to expand their capacity. We will continue to expand our business domain through collaborative efforts within the Group, not only in the field of plastics and chemicals, but also in relation to block materials for model molds (DENATOOL) manufactured by Nagase ChemteX Corporation in the electronics business.

(Overseas Operations)
In addition to the aforementioned overseas operations in the electronics and automobile sectors, we are making efforts to expand our overseas businesses especially in the so-called Greater China region (consisting of mainland China, Hong Kong and Taiwan) and Southeast Asia.
An example is the so-called East China region (centering on Shanghai, China), where Nagase's clients are continually branching out, led by Japanese and Taiwanese companies. This is giving rise to a complex demand-and-supply framework in which these companies, plus local firms, are supplying their own products to each other. We are establishing a framework and increasing our personnel so that we can supply our products and services to these companies as comprehensively and effectively as possible.

(2) Enhancement of Corporate Structure

a. Review of Retirement Benefits Scheme and Revision of Accounting Standards

We shifted to a new retirement benefit scheme for the purpose of reducing the excessive cost burden relating to retirement benefits for the future, revised the accounting standards for retirement benefits, and wrote off ¥8.232 billion in actuarial differences (loss) and ¥4.2 billion in past service liability (gain) accumulated in enormous amounts in the past. Additionally, as the return of pension assets regarding the substitutional portion of the welfare pension fund plan (past portion) was approved, we declared a gain on the return of the substitutional portion in the amount of ¥3,396 million.

b. Enhancement of Corporate Structure of Domestic Sales Subsidiaries

We have been examining how to restructure businesses, in order to strengthen the corporate structure of domestic sales subsidiaries. We are reorganizing domestic sales subsidiaries, including the consolidation of Shizuoka Nagase Co., Ltd. into Nagase Chemical Co., Ltd. (the resulting company being "Nagase Chemical Co., Ltd.") and similarly, Kyushu Nagase Co., Ltd. into Nishinihon Nagase Co., Ltd. (the resulting company being "Nishinihon Nagase Co., Ltd.") in April 2004.

We will continue to restructure the businesses of domestic sales subsidiaries and streamline their management, to enhance their corporate structure.

6. Basic Approach to Corporate Governance and Implementation Status of Measures

Our management policy has always been to carry out *good and fair business practices*. We acknowledge the need to *enhance corporate governance* in the face of accelerated globalization, and the importance of *quick decision-making and action* and the importance of *securing transparency* in management, to continually improve corporate value.

We introduced the executive officers system in June 2001, and reduced the term of office of Directors and Executive Officers to one year in fiscal 2002, in an effort to build a management structure that is capable of flexibly responding to changes in the business environment. The current management team consists of 8 Directors (none of whom are outside Directors), 19 Executive Officers (including 6 Officers concurrently serving as Directors) and 4 Auditors (including 2 outside Auditors). The Board of Directors is clearly defined as *the body in charge of making decisions on management policies/strategies and supervising the execution of operations,* whereas the Board of Executive Officers takes charge of prompt decision making regarding the execution of operations. Both the Board of Directors and the Board of Executive Officers each hold regular meetings once a month. The Board of Auditors decides the auditing policy of Auditors in accordance with laws and the Articles of Incorporation, and forms an audit opinion based on a report by each Auditor. The Auditors always attend the meeting of the Board of Directors, and express their opinions as necessary. Additionally, we have established an advisory board based on the view that it is important to have the Company's management practices examined and checked objectively by outside experts (2 experts) and listen to their advice. Auditing by certified public accountants is commissioned to Shin Nihon & Co., which conducts an audit from a fair and impartial standpoint.

Moreover, for compliance management, we established the Compliance Committee in 2001, and have since endeavored to ensure compliance with laws and regulations and enhance corporate ethics. In November 2003, we established the "Nagase Group Code of Conduct", and in December 2003, held more than 10 briefing sessions targeting officers and employees of the Nagase Group, to make sure it is thoroughly understood by everyone.

At the meeting of the Board of Directors held on March 26, 2004, we invited Mr. Haruyuki Niimi as a candidate for outside Director. Mr. Niimi is the Chairman & Representative Director of Showa Shell Sekiyu K.K., is globally-minded, and has a wealth of management experience.

Of note, none of the outside Directors and outside Auditors who will be asked to attend the ordinary general meeting of shareholders scheduled on June 29, 2004 have any personal, capital or business relationship with, or any interest in the Company, including the current outside Auditors.

Business Results and Financial Position

Ⅰ Business Results

Overall Company Performance

During the fiscal year, the Japanese economy experienced gradual recovery. Although consumer spending still lacked momentum due to concerns over the labor market, business performance of companies improved as a result of the improvement in exports, assisted by the psychological boost stemming from the rise in stock prices.

In these circumstances, we made efforts to improve our business performance. As a result, domestic sales increased 3.6% year-on-year to ¥349.55 billion, while overseas sales rose 10.6% to ¥183.74 billion. Sales increased 5.9% to ¥533.3 billion.

On the income front, operating income increased 21.5% from the previous year to ¥10.24 billion, due to the increase in gross profit on sales and the reduction in selling, general and administrative expenses. Recurring income amounted to ¥13.11 billion, up 16.2% year-on-year. Net income increased 67.4% to ¥7.01 billion, as the valuation loss on investment securities substantially decreased, more than offsetting the extraordinary loss declared in association with the revision of the accounting standards for retirement benefits.

Segment Summaries

【Chemicals】 Sales: Year-on-year increase of 3.4% to ¥231.36 billion

In the chemicals segment, sales increased on the whole from the previous year, due to the increase in sales generated by the automotive-related urethane business and sales of specialty chemicals relating to oil solutions and paints.

- Sales of plastic additives slightly increased overall. While domestic sales increased as a result of continual customer-oriented activities, exports to South Korea, which were strong in the previous year, decreased this year due the reduction in production volume by customers. Sales generated by the urethane business increased, as a result of its positioning in the strategic automotive-related business area, and our active expansion into overseas markets in collaboration with customers, especially in China. Our filter-related business featuring in-house products also experienced steady growth. Sales of pigments slightly increased as a whole, due to the growth of new printing businesses and solid sales to major customers.
- Sales of recording materials slightly increased on the whole, as efforts made to expand the sales in inkjets, plasma displays, DVDs and other growth markets offset the decrease in domestic sales of materials of heat-sensitive and pressure-sensitive paper.
- In the field of pharmaceuticals and food additives in the strategic life science segment, sales of imported bulk pharmaceuticals and domestic sales of antibiotic intermediates, etc. expanded. In Healthcare, the reagents-related business was consolidated in order to bring about synergy effects. Notwithstanding the decline in the import agent business targeting the United States and Europe and exports of food additives, sales increased on the whole.
- Sales of specialty chemicals increased overall, as sales of special epoxy compounds made by Nagase ChemteX Corporation remained constant, while sales of imported specialty chemicals related to oil solutions and sales of exports to China both increased.
- Sales of dyestuffs slightly decreased as a whole, as the fall in domestic sales eclipsed the efforts made in overseas sales, especially in China, amid the shift towards markets overseas.

【Plastics】 Sales: Year-on-year increase of 3.1% to ¥170.99 billion

In the plastics segment, sales on the whole increased from the previous year, as the increase in sales in the Greater China region, especially locally-procured products, more than offset the decrease in exports from Japan.

- Overseas sales of functional resins increased, thanks to reinforcements in the sales force based on the expansion of sales offices, while customers continued to relocate their production bases into the Greater China region. However, exports of optical disc applications from Japan decreased due to intensified price competition, and sales in Southeast Asia declined partly due to the relocation of customers' production bases to China. As a result, sales only slightly increased on the whole.

- Exports of liquid crystal-related components and molding machines increased especially in Taiwan, as a result of intensive marketing activities in growth sectors.
- The strategic automotive business expanded, as a result of the dramatic increase in sales to North America, combined with the thoroughly customer-oriented approach in Japan and enhanced procurement intermediary functions.
- Sales in the field of electric and electronic equipment were strong, as a result of an increase in sales in the field of mobile phones and the launch of a new components business for industrial electronic equipment.
- Sales in the field of packaging materials and housing/building materials remained more or less the same as in the previous year. There was no substantial increase in sales this year, despite our efforts to switch to a business model that will enable us to sell our own products and take the initiative.
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【Electronics】 Sales: Year-on-year increase of 19.3% to ¥118.97 billion

In the electronics category, we are directing our efforts towards the segment that forms the core of our strategic electronics business. During the fiscal year, the liquid crystal-related business performed extremely well and dramatically expanded, acting as the driving force behind the good performance by the Company as a whole.

- In the field of liquid crystal, sales of materials for displays were extremely strong in Japan, as were exports, especially to the Greater China region. Sales of modules, etc. also substantially increased. Assembly and processing of components overseas, in which we have traditionally made strategic efforts, also performed well.
- Our business relating to agents used in the production of semiconductors and liquid crystal also performed well, especially with respect to the Group's own products manufactured by Nagase ChemteX Corporation. Sales substantially increased, in combination with sales of related devices.
- Sales of communication components (which dramatically increased in the previous year) decreased this year, as the demand for wireless base stations in China reached a saturation point.
- Sales of fine abrasives increased, due to the strong performance of exports especially in Asia. Sales of hard disk drive-related components were also strong. As a result, sales on the whole exceeded the level posted in the previous year.
- In the field of functional materials, sales of the Group's own products manufactured by Nagase ChemteX Corporation were strong. Sales of formulated epoxy resin targeting heavy and light electric machinery industries were also solid, as were semiconductor encapsulants. On the other hand, sales of packaging materials for electronic components slightly decreased. As a result, sales on the whole were more or less the same as in the previous year.
- Sales increased dramatically with respect to DVD-related equipment and periphery media products for recording purposes, in which we have been making efforts in recent years as part of our drive to expand into the downstream of the electronics category. Also, sales to end-users over the Internet substantially increased, with the addition of DVD movie titles.

【Healthcare and Others】 Sales: Year-on-year decrease of 17.3% to ¥11.96 billion

In the healthcare segment, sales in the field of cosmetics, health foods, medical information and clinical examination were more or less the same as in the previous year, while sales in the field of radiation measure decreased.

- In the field of cosmetics and health foods, we transferred the traditional door-to-door sales functions to Nagase Beauty Care Co., Ltd. and thereby improved our mobility. We are also operating eight "Pour Toi" retail outlets primarily in department stores in the Tokyo Metropolitan Area, aimed at diversifying our sales channels. However, sales were more or less the same as in the previous year, as their effects were limited during this fiscal year.
- In the field of medical information and clinical examination, sales were roughly the same as the level posted in the previous year. Sales declined in the field of radiation measure, as there was no spot demand for facilities this year, in contrast to the previous year. Sales on the whole decreased, as the reagents-related business was consolidated into the pharmaceuticals secotr in the chemicals segment, where greater synergy effects are expected.

2. Full-year Forecast

(Unit: million yen)

	Sales	Operating Income	Recurring Income	Net Income
For the year ended March 2005	568,000	12,000	14,200	9,500
For the year ended March 2004	533,301	10,244	13,110	7,010
Year-on-year Comparison	106.5%	117.1%	108.3%	135.5%

As for the economic outlook, the economy is expected to remain in good shape, as the scope of economic recovery is expanding, despite concerns over the sudden appreciation of the yen and delays in the improvement of the labor market.
The following is an overview of each business segment.

【Chemicals】 Sales: Year-on-year increase of 5.0% to ¥243 billion

In the field of life science, the pharmaceuticals and food additives markets targeted by our Group are expected to grow. Also, as Japanese automakers are expected to further expand production overseas, demand for plastic additives and paints are likely to grow especially overseas, not to mention the urethane business. We will make efforts to expand products manufactured by Nagase ChemteX Corporation, and boost earnings by focusing on inkjets, plasma displays, DVDs and other growth sectors.

【Plastics】 Sales: Year-on-year increase of 3.5% to ¥177 billion

In the automotive-related business, demand is expected to grow on a global scale, driven by China. Based on our business foundations in Japan, we will engage thoroughly in customer-oriented activities and make efforts to expand the scale of the business. In the field of housing and building materials, where no substantial increase in domestic demand is expected, we will expand the sales of our own products and consistently expand the business foundations from upstream to downstream, in order to build a highly profitable structure that will enable us to maintain our leadership. The demand for plastics in the so-called Greater China region is expected to continue increasing, especially in mainland China. At the same time, however, it is turning into a market that cannot be satisfied just by exports from Japan. We will strive to enhance our framework to adapt to such changes in the market structure and to increase earnings.

【Electronics】 Sales: Year-on-year increase of 13.5% to ¥135 billion

The liquid crystal industry is expected to continue growing in the future. We will further strengthen the business foundations we have built over the years, and strive to broaden the range of items manufactured by Nagase and within the Group, and expand the scope of our business in the liquid crystal industry, spanning from upstream to downstream. In the field of semiconductors and functional materials, we will expand our business by building a robust framework focusing on our own products, taking advantage of Nagase ChemteX Corporation’s domestic and overseas functions for manufacturing products. We will also further enhance our sales framework for consumer products in an effort to increase earnings.

【Healthcare and Others】Sales: Year-on-year increase of 8.6% to ¥13 billion

In the field of cosmetics and health foods, we will further reinforce our nationwide sales networks, which we have developed over many years, and continue launching new attractive products. At the same time, we will continue to diversify our sales channels through retail outlets. In the field of medical information, we will thoroughly narrow down and concentrate our business, and direct our efforts at expanding sales.

Based on the above, we expect to generate ¥568 billion in sales, ¥12 billion in operating income, ¥14.2 billion in recurring income, and 9.5 billion in net income for next fiscal year. The annual dividend is projected at ¥8 per share.

Due to the nature of the business, there are concerns about various risks, including market risks (e.g., the slowdown of the economy attributable to general economic conditions and market trends, including those overseas), product risks (e.g., fluctuations in the price of traded products, loss arising from complaints), credit risks (e.g., nonpayment by clients), the possibility of making a loss on investment for launching a new business or expanding a business, risks associated with foreign exchange volatility, risks of making a loss due to fluctuations in the price of securities being held, and risks associated with the success/failure of new strategies. We have developed necessary risk control and risk aversion systems in regard to the risks mentioned above, and we are doing everything possible to deal with them. However, our business performance forecasts may substantially differ from the actual business performance, as unpredictable risk factors and uncertainty factors may affect business results, financial conditions, etc.

Ⅱ Financial Position

1. Overview of Current Period

(1) Status of Consolidated Balance Sheet

Total assets increased ¥25.99 billion year-on-year to ¥310.79 billion, due to the increase in accounts receivable, investments in securities, etc.

Shareholders' equity increased ¥15.26 billion to ¥156.21 billion, due to the increase in the declared amount of the unrealized holding gain on securities, combined with retained earnings.

As a result, the shareholders' equity ratio increased by 0.8 percentage points, to 50.3%.

(2) Consolidated Cash Flow Status

Net cash provided by operating activities amounted to ¥6.43 billion. This is primarily due to the increase in working capital, which partly offset income before income taxes and minority interests in the amount of ¥11.72 billion.

Net cash used in investing activities totaled ¥1.68 billion. This is the result of the sale of some of the investment securities, active capital investment, etc. and the increase in short-term loans receivable.

Net cash used in financing activities amounted to ¥1.83 billion, as a result of the repayment of bank loans and payment of dividends.

Consequently, the balance of cash and cash equivalents increased ¥1.98 billion year-on-year to ¥21.03 billion.

2. Outlook for Fiscal 2005

Net cash provided by operating activities is expected to include an increase in income before income taxes and minority interests.

Net cash used in investing activities is expected to include outlays for the construction of a manufacturing facility by our manufacturing subsidiary.

Net cash used in financing activities is expected to include outlays attributable to the redemption of bonds.

As a result of the above, the balance of cash and cash equivalents is likely to decrease in the next fiscal year.

3. Trends in Cash Flow Indicators

	For the year ended March 2000	For the year ended March 2001	For the year ended March 2002	For the year ended March 2003	For the year ended March 2004
Shareholders' equity ratio	42.6%	43.4%	48.0%	49.5%	50.3%
Shareholders' equity ratio based on market value	17.7%	21.0%	22.6%	23.2%	38.8%
Debt repayment period (year)	8.2	2.9	1.6	3.8	2.6
Interest coverage ratio	5.0	9.9	19.9	10.1	13.9

(Note) Shareholders' equity ratio = Shareholders' equity / Total assets

Shareholders' equity ratio based on market value = Market capitalization of shares / Total assets

Debt repayment period = Interest-bearing debt / Operating cash flow

Interest Coverage Ratio = Operating cash flow / Interest payment

＊ All indexes are calculated on the basis of consolidated financial figures.

＊ Market capitalization of shares is calculated by multiplying the closing price of shares at the end of the period by the total number of outstanding shares as at the end of the period.

＊ Operating cash flow refers to net cash provided by operating activities in the Consolidated

Statement of Cash Flows. Interest bearing debt refers to all debt for which interest is payable declared in the in the Consolidated Balance Sheet. Interest payment refers to the amount of interest paid as shown in the Consolidated Statement of Cash Flows.

Summary of Non-Consolidated Financial Statements for the Year Ended March 31, 2004

April 30, 2004

Stock Exchanges Listed: Tokyo, Osaka
Location of Head Office: Osaka Prefecture

Company Name: Nagase & Co., Ltd.
Listing Code: 8012
(URL http://www.nagase.co.jp)

Representative Position President Hiroshi Nagase
Contact Details Position Accounting Division Manager Takahide Osada Telephone (03) 3665-3103

Date of Board of Directors' Meeting for Settlement of Accounts: April 30,2004
Date of Regular General Meeting of Shareholders: June 29, 2004
Interim Dividend System: No   Unit Stock System: Yes (1 unit=1,000 shares)

1. Results for the Year Ended March 31, 2004 (April 1, 2003 - March 31, 2004)

(1) Business Results   (Note: Amounts have been rounded off to the nearest million yen.)

	Net Sales		Operating income		Recurring income		Net income	
	¥millions	%	¥millions	%	¥millions	%	¥millions	%
Year ended March 31, 2004	433,817	(3.8)	4,217	32.9	7,663	14.9	5,373	377.1
Year ended March 31, 2003	418,004	(2.5)	3,171	—	6,671	141.6	1,126	—

	Net income per share	After adjustment for latent shares	Return on equity (ROE)	Return on assets (ROA)	Sales-ordinary income ratio
	¥	¥	%	%	%
Year ended March 31, 2004	41.84	—	4.8	3.2	1.8
Year ended March 31, 2003	8.27	—	1.0	2.8	1.6

Notes: 1. Average number of shares during accounting period.
Year ended March 31, 2004: 127,238,463 Year ended March 31, 2003: 130,152,743
2. Changes to accounting policies: Yes.
3. The percentage figures for sales, operating income, recurring income and net income represent increases (decreases) relative to the previous year's result.

(2) Dividends

	Dividend per share			Total annual dividend	Dividend propensity	Dividend-shareholders' equity ratio
		Interim	Final			
	¥	¥	¥	¥millions	%	%
Year ended March 31, 2004	9.00	—	9.00	1,145	21.5	1.0
Year ended March 31, 2003	8.00	—	8.00	1,017	96.7	0.9

Notes: Breakdown of dividend for year ended March 31, 2004 Commemorative dividend ¥1.00 Bonus dividend ¥0.00

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥millions	¥millions	%	¥
Year ended March 31, 2004	253,810	119,850	47.2	941.65
Year ended March 31, 2003	230,052	105,332	45.8	827.38

Notes: 1. Shares issued and outstanding at end of accounting period
Year ended March 31, 2004: 127,224,518 Year ended March 31, 2003: 127,247,212
2. Treasury stock at the end of accounting period
Year ended March 31, 2004: 11,183,767 Year ended March 31, 2003: 11,161,073

2. Forecasts for the Year Ended March 31, 2005 (April 1, 2004 - March 31, 2005)

	Net Sales	Recurring income	Net income	Annual dividend per share		
				Interim	Final	
	¥millions	¥millions	¥millions	¥	¥	¥
Interim	222,000	4,500	3,000	—	—	—
Whole Year	445,000	8,300	5,400	—	8.00	8.00

Reference: Net income per share is projected to reach ¥42.05

* The above forecasts were prepared on the basis of information available on the date of release. Actual results may differ from these forecasts due to various factors.