

# Summary of Consolidated Business Results for the Third Quarter Ended December 2004

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## 1. Matters concerning the preparation of the Summary of Business Results for the Third Quarter of fiscal 2004

### (1) Use of simplified accounting procedures:

(Description):

Accounting standard of income and other taxes: The amount of these taxes was calculated using the estimated yearly tax rates based on the legal effective tax rates.

For some account items with minor effects, a simpler calculation method was used.

### (2) Changes in accounting policies compared to recent consolidated fiscal year:

(Description):

Accounting standard concerning the impairment of fixed assets:

We applied "Accounting Standard concerning Impairment of Fixed Assets" and "Guideline for Application of Accounting Standard concerning Impairment of Fixed Assets".

### (3) Change in the applicable scope of the consolidation and equity method:

Consolidated Subsidiaries: New: 8 Excluded: 1 (due to the merger of consolidated subsidiaries)

Equity method: New: 0 Excluded: 0

## 2. Consolidated Business Results for the Third Quarter Ended December 2004 (April 1, 2004 – December 31, 2004)

### 1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary income	
	¥ Millions	%	¥ Millions	%	¥ Millions	%
Third Quarter Ended December 2004	426,004	7.2	10,507	13.7	12,108	2.8
Third Quarter Ended December 2003	397,288	-	9,244	-	11,783	-
(Reference) Period Ended March 31, 2004	533,301		10,244		13,110	

	Net (quarterly) income		EPS (quarterly)	Fully Diluted EPS (quarterly)
	¥ Millions	%	¥	¥
Third Quarter Ended December 2004	7,313	40.2	57.47	57.36
Third Quarter Ended December 2003	5,216	-	41.01	-
(Reference) Period Ended March 31, 2004	7,010		54.69	-

Notes: 1. Figures shown in percentage of sales, operating income and other items show the ratios of sequential changes compared with the Third quarter of 2004.

2. The rate of change of the Third quarter of 2004 were not presented because no settlement was made for the Third quarter of 2003.

### 2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
Third Quarter Ended December 2004	339,026	163,646	48.3	1,285.37
Third Quarter Ended December 2003	315,185	151,346	48.0	1,189.92
(Reference) Period Ended March 31, 2004	310,793	156,210	50.3	1,227.82

### 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
Third Quarter Ended December 2004	1,585	-2,043	-3,052	19,140
Third Quarter Ended December 2003	3,556	-1,719	-877	19,418
(Reference) Period Ended March 31, 2004	6,431	-1,689	-1,832	21,033

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

No change has been made to the forecasts published on April 30, 2004 both for the subsequent quarters and for the entire fiscal year.

	Net Sales	Recurring Income	Net Income
	¥ Millions	¥ Millions	¥ Millions
Whole Year	568,000	15,000	10,000

(Reference) Expected EPS(Whole Year) ¥ 78.15

\*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.

## **Business Results and Financial Position**

[Qualitative information of Progress of Management Performance (consolidated) and Others]

### **Summary of Overall Company Performance**

While the Japanese economy expanded backed by favorable exports centering on Asia and strong domestic demand up to the third quarter, it is concerned that economic growth will slow down due to inventory adjustment in digital related equipment and ongoing high yen.

Under these circumstances, the business results up to the third quarter saw domestic sales increased 3.4% year-on-year to ¥269.07 billion, while overseas sales rose 14.6% year-on-year to ¥156.93 billion. As a result, sales increased 7.2% year-on-year to ¥426.0 billion.

On the income front, operating income increased 13.7% year-on-year to ¥10.5 billion thanks to increased sales and others. Ordinary income rose 2.8% year-on-year to ¥12.1 billion. Net income jumped 40.2% year-on-year to ¥7.31 billion, in absence of extraordinary losses booked in the previous third quarter due to the change in accounting policies for retirement benefits.

### **Segment Summary**

**[Chemicals]** Sales: ¥187.03 billion Year-on-year increase of 7.7%

In the chemicals segment, sales in the color and imaging business including ink/toner materials for copiers and printers and digital equipment use materials such as materials for LCD-use color filters, and sales of coating materials and urethane materials for the automotive industry and others expanded significantly. Meanwhile, sales in the specialty chemical business handling surface active agents and industrial use oil solutions increased only marginally and sales in the fine chemicals business including pharmaceutical intermediates and others decreased marginally.

**[Plastics]** Sales: ¥139.33 billion Year-on-year increase of 10.2%

The business in so called the Greater China region including China, Hong Kong and Taiwan continued trending favorably. Resin materials and components for the automotive industry expanded considerably both in Japan and overseas. Sales of

materials related to exterior cladding of digital equipments and building materials also increased. In addition, overall performance of Nagase group's manufacturing companies including Setsunan Kasei Co., Ltd, which engages in coloring and processing plastics was favorable. As a result, overall sales expanded greatly.

**[Electronics]** Sales: ¥89.96 billion Year-on-year increase of 2.1%

In the electronic segment, sales in the business handling solutions for manufacturing semiconductor and liquid crystal and supplying equipment increased dramatically. Meanwhile, sales of liquid crystal related materials fell due to a fall in sales prices and others. In addition, sales of precision abrasive compound expanded significantly, and sales of formulated epoxy resin manufactured by Nagase ChemteX Corp, and DVD peripherals and others expanded. However, sales of components for telecommunication equipment related business did not yet to recover.

**[Healthcare and Others]** Sales: ¥9.66 billion Year-on-year increase of 6.8%

While sales in the cosmetics and health foods related business increased marginally, sales in the business related to medical equipment, medical information and clinical test system related business remained flat.

**[Qualitative Information on Changes in Financial Position (Consolidated) and others]**

Total assets amounted to ¥339.02 billion, up ¥28.23 billion compared to the previous consolidated fiscal year end, mainly due to increases in account receivables and inventory assets.

Liabilities amounted to ¥170.93 billion, up ¥20.55 billion compared to the previous consolidated fiscal year end, mainly due to increased account payables.

The shareholders' equity increased by ¥7.43 billion over the end of previous consolidated fiscal year to ¥163.64 billion. This is mainly due to an increase in retained earnings.

As a result of the above, the shareholders' equity ratio fell 2.0 percentage points to 48.3% from 50.3% at the end of previous consolidated fiscal year.

**[Status of Consolidated Cash flows]**

Cash flows from operating activities amounted to ¥1.58 billion due to an increase in operating funds and corporate tax payments, although the quarterly net income before income taxes and minority interests amounted to ¥12.42 billion.

Cash flows used for investing activities totaled ¥2.04 billion because of proactive capital investment, although there was income from sales of part of investments in securities.

Cash flows used for financing activities totaled ¥3.05 billion due to redemption of corporate bonds and dividend payments etc., although there was income due to an increase of short-term loans.

As a results of adjusting increases of cash and cash equivalents according to the new consolidation, the balance of cash and cash equivalents at the end of the third quarter decreased by ¥1.89 billion from the end of previous consolidated fiscal year to ¥19.14 billion.

#### **[Qualitative Information on Performance Forecasts and Others]**

As for full year consolidated forecasts for the year ended March 2005, we have adjusted our initial consolidated forecasts for the entire fiscal year which were announced on April 30, 2004, due to brisk performance of overseas subsidiaries centering in Asia, etc. There are no adjustments to the non consolidated performance forecasts.

(Reference)

	(¥ Millions)		
	Net sales	Ordinary Income	Net income
Previous forecasts (A)	568,000	14,200	9,500
Revised forecasts (B)	568,000	15,000	10,000
Change (B-A)	—	800	500
YOY increase rate (%)	—	5.6	5.3
Results of the year ended March 2004	533,301	13,110	7,010

[Revision of forecasts for dividend payments for the fiscal year ended March 2005]

Forecast figures for the fiscal year ended March 2005 are likely to exceed our previous forecasts. Accordingly, after considering return of profits to shareholders in accordance to improvement of the business performance as well as generating stable dividends for shareholders in a comprehensive manner, we revised up cash dividends per share, from our previous forecast of ¥8 to ¥10, an increase of ¥2 for the fiscal year ended March 2005.