

The Technology and Intelligence Oriented Company
That Turns Wisdom into Business

Annual Report 2002

Profile

The Nagase Group Continues to Create New Businesses Together with its Customers around the World

Today, 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 accumulated considerable know-how in its role as a “technology and intelligence oriented trading company.”

While developing new markets around the world together with its customers, Nagase has worked on acquiring processing and manufacturing functions, and R&D functions for the development of new technologies and products.

At the Nagase Research and Development Center, we conduct research into basic technologies such as organic

synthesis and biotechnology, while at the same time working on the development of pharmaceutical raw materials with fewer side effects and natural extracts that will enhance the bioactivity of the human body. Nagase group manufacturing companies are involved in producing and processing pharmaceutical intermediates, functional polymers, raw materials for electronics applications and plastic products.

Currently, the Nagase Group comprises 102 member companies at home and overseas. One of the Group’s features is that it can call on these companies to combine their trading, marketing, R&D, manufacturing and processing functions as necessary to provide high levels of customer satisfaction.

Looking ahead, the Nagase Group will, along with its customers worldwide, continue to seize business opportunities and provide business solutions.

The Nagase Group’s Four Businesses



Management Philosophy

Based on our awareness of our role as members of society, we shall endeavor to enhance the welfare of employees and contribute to society by developing the company through good and fair business practices aimed at providing the products and services society seeks.

Management Vision

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

In line with the management philosophy at left, Nagase has adopted “The 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.

Contents

Financial Highlights	1
A Message from Management	2
Overview of Business Operations	
Chemicals	6
Plastics	12
Electronics	16
Health Care	20

Detailed Information by Topic	
1 One Year since Integration of Manufacturing Subsidiaries	24
2 Integrated System for Contract Research and Development Established with Nagase R&D Center at its Core	25
3 Nanotechnology-related Business	26
4 Activities of Nagase Science and Technology Foundation	27
5 Tackling Environmental Issues	28
Financial Section	29
Corporate Data	48

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.

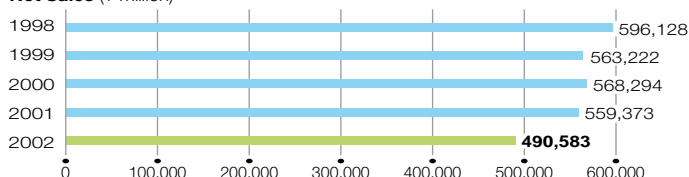
Financial Highlights

NAGASE & COMPANY, LTD. and Consolidated Subsidiaries
Years ended March 31

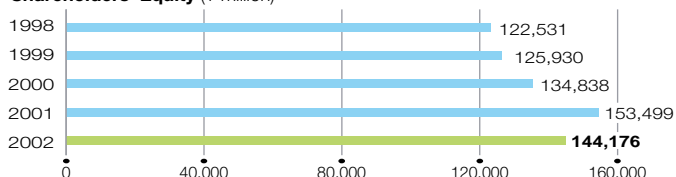
	Millions of Yen					Thousands of U.S. Dollars (Note)
	2002	2001	2000	1999	1998	2002
For the Year:						
Net Sales	¥ 490,583	¥ 559,373	¥ 568,294	¥ 563,222	¥ 596,128	\$ 3,681,673
Chemicals	218,524	237,872	249,977	244,068	258,294	1,639,954
Plastics	175,252	205,460	192,711	199,189	204,718	1,315,212
Electronics	83,660	103,383	109,770	104,455	115,556	627,842
Health Care	13,146	12,658	15,836	15,510	17,560	98,656
Operating Income	1,673	7,752	8,147	7,791	8,208	12,555
Net (Loss) Income	(2,097)	4,946	6,371	3,561	4,905	(15,737)
At the Year-End:						
Total Assets	¥ 300,073	¥ 353,777	¥ 316,657	¥ 298,525	¥ 300,781	\$ 2,251,954
Shareholders' Equity	144,176	153,499	134,838	125,930	122,531	1,081,996
Per Share Data:						
	Yen					U.S. Dollars
Net (Loss) Income	¥ (15.39)	¥ 35.28	¥ 44.25	¥ 23.76	¥ 32.39	\$ (0.11)
Shareholders' Equity	1,082.15	1,104.80	952.67	862.06	809.17	8.121
Cash Dividends	8.00	8.00	8.00	8.00	8.00	0.06

Note: Yen amounts have been translated for convenience only, at the rate of 133.25 yen to 1 U.S. dollar, the approximate exchange date on March 31, 2002.

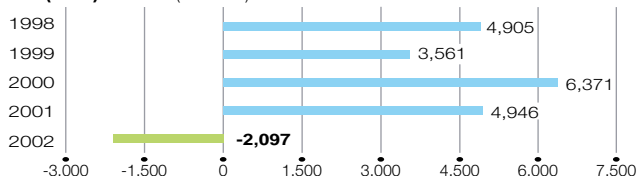
Net Sales (¥ million)



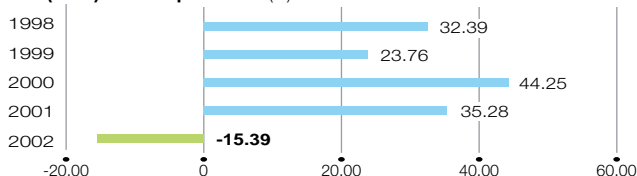
Shareholders' Equity (¥ million)



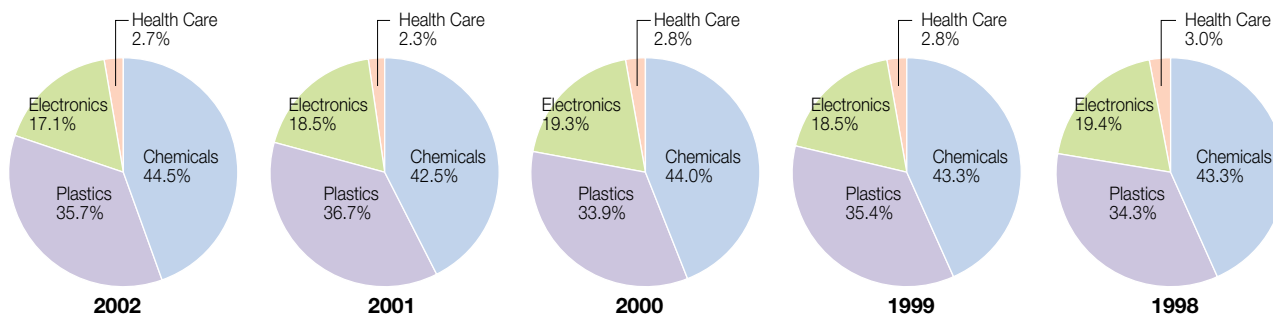
Net (Loss) Income (¥ million)



Net (Loss) Income per Share (¥)



Composition of Net Sales



A Message from Management

Nagase & Co., Ltd. develops businesses that are beneficial to customers, selecting optimal locations worldwide for production and sales activities. We draw on the technology, intelligence and wisdom of our 102 Group companies around the world to create new businesses, and this is where our true value lies. In all of our activities we are committed to strengthening the overall competitiveness of the Group.

The following sections review our performance during the year under review, which ended March 2002. We hope they will enhance your understanding of the steps we are taking to achieve an earnings turnaround.

Results for the Fiscal Year Ended March 31, 2002

Affected by the slow domestic economy and the global IT recession, total consolidated sales amounted to ¥490.58 billion, a decline of ¥68.78 billion, or 12.3%, from last year's total of ¥559.37 billion.

Despite reducing selling, general and administrative (SG&A) expenses ¥2.08 billion, or 4.4%, to ¥45.3 billion, operating income fell by ¥6.07 billion, or 78.4%, to ¥1.67 billion under the impact of stagnating sales. Additional extraordinary losses in the form of appraisal losses on investment securities and special retirement benefits led to a net loss for the term of ¥2.09 billion. (See page 30 for details.)

Following our long-standing basic policy of maintaining stable dividends for our shareholders, we decided to pay a dividend of ¥8 per share of common stock, the same amount as last year.

Moreover, to enhance shareholder value, we retired 529,000 shares of treasury stock worth ¥266 million and, under changes in the law, acquired 5,166,000 shares of treasury stock for ¥2.67 billion. We intend to employ these shares effectively in capital policies such as stock retirement, stock options and M&A.



Hideo Nagase, Chairman (Left)
Hiroshi Nagase, President (Right)

The WIT2000 Medium-term Management Plan

We are currently implementing the WIT2000 Medium-term Management Plan, which covers the three years from April 2000 to March 2003. The plan seeks to achieve earnings in excess of capital costs and secure continued growth. It sets business strategies and results targets in pursuit of these goals and also establishes Nagase Return on Equity (N-ROE) as a management performance indicator. Under this plan, we are working to boost earnings power and strengthen management across the Group.

The WIT2000

1. Challenge Strategy

Promote business investment and develop new businesses.

2. Dynamic Strategy

Adopt a selective, focused approach to business.

3. Group Strategy

Reinforce manufacturing companies and boost marketing strength of sales branches.

4. Human Resources Strategy

Train professionals.

5. Functional Development Strategy

Increase marketing strength by extracting and developing business models.

N-ROE = Nagase profit ÷ Equity capital at the beginning of the term

Nagase profit = Net profit after tax + (Depreciation ± Appraisal profit or loss) × (1 - Effective tax rate)

"Nagase profit" refers to the profit generated through operating activities, and is also referred to as "operating cash flow."

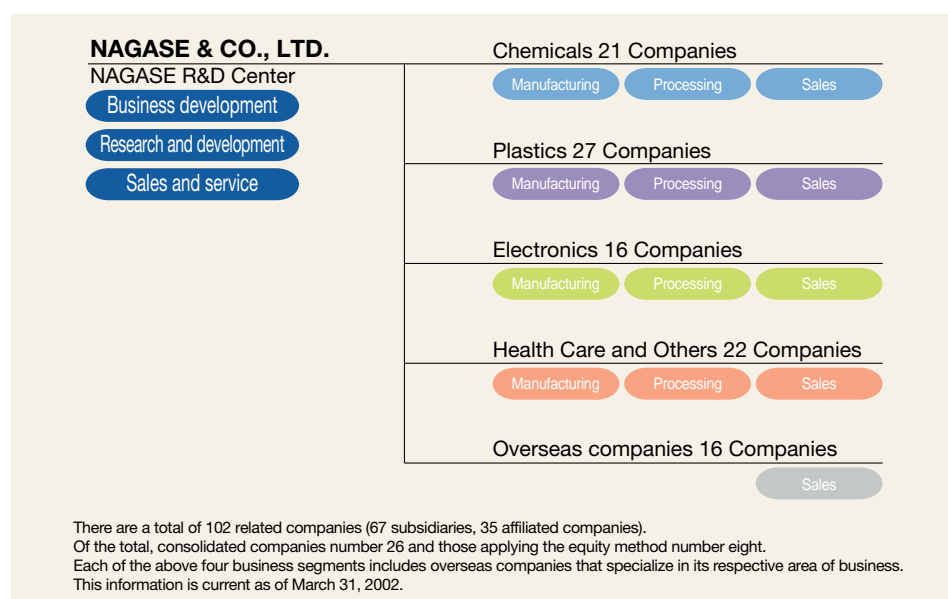
Increase Collaboration Within the Group and Create Proposal-oriented Business Models

In accordance with WIT2000, we are pushing ahead with the creation of new, highly specialized businesses. The Nagase Group includes the Nagase R&D Center, which was established in 1990 and conducts specialized research and development in the areas of organic synthesis and biotechnology. It also includes a large number of subsidiaries that manufacture such products as high value-added chemicals, pharmaceutical intermediates, and electronics materials. We are thus capable of partnering with our customers to develop new products and technologies on top of fulfilling the more standard roles of developing new markets, procuring materials, and selling products. In developing new products and technologies, we make full use of our business groups, with their highly specialized knowledge and ability to gather information on the latest developments in technology, and the R&D Center and our subsidiaries, with their research and development and manufacturing capabilities. Since April 2000 we have promoted greater collaboration within the Group in order to take advantage of these capabilities and to actively create business models that provide valuable proposals to customers.

As a part of these efforts, we have formed projects teams that cut across group and subsidiary to combine the knowledge and talents of authorities in differing specialized fields. The teams are starting to generate results, as a number of proposal-oriented new businesses are already in the works.

In April 2001, we established Nagase ChemteX Corporation by merging four major manufacturing subsidiaries in order to strengthen our manufacturing capabilities. With the merger, which brought together the specialties of each of the four companies, we are able to make the kind of large-scale investments that were not possible previously. We are currently working on new developments in the fields of health care and electronics, areas in which the Group is concentrating its energies. (See page 24 for details.)

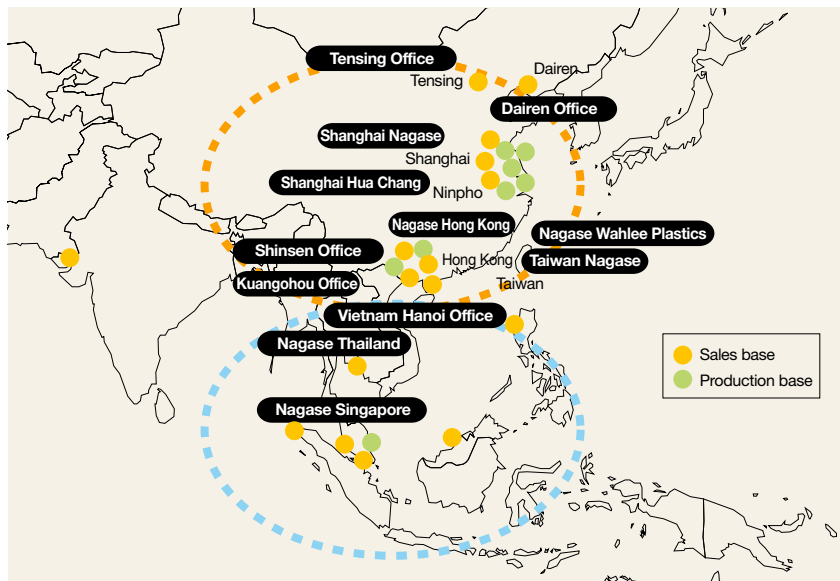
Further, we are strengthening the relationships we share with our customers by reforming our organization based on 'market in' principles to respond better to their needs. With a Group network numbering approximately 6,000 customers and suppliers, this will also enhance our capability to gather information on the latest technologies. As a part of these efforts, the Plastics Group launched a system of strategic business units (SBU) in June 2001 and is currently offering precision business solutions to its customers.



A Message from Management

Expanding "Top Share" Businesses

One of the main strategic goals of management is to increase the number of businesses with a top share of domestic and overseas markets. Among businesses that have already secured a top share of the market, those in which we have been engaged for a relatively long time, such as dyestuffs and coatings materials, generate stable profits year in and year out. Looking ahead, we intend also to commit to businesses that take advantage of our strengths in R&D and



Aware of the remarkable growth potential of the Chinese market, we have divided our businesses in Asia into two major spheres: an area centered on China and Taiwan (■ ■ ■ ■), and an area centered on Singapore (■ ■ ■ ■). We are currently developing business strategies tailored to the individual regional characteristics of these areas and are working to establish a global network to facilitate trade with Japan.

manufacturing, and to those with a marketing advantage based on our technological knowledge. Specifically, areas of focus include electronics-related, environment-related and health care businesses, as well as businesses that fuse our biotechnology and organic synthesis technology.

In our overseas activities, we intend to maintain our focus on businesses in the Asian region. Because this is a market in which we have a strong local sales presence and where business can be readily conducted between foreign companies, it holds great potential for growth. During the fiscal year under review, we increased the number of sales centers we operate in China from six to nine, and increased our staffing levels. In this way, we anticipate new opportunities to arise generated by the links between the three key zones of Japan, Southeast Asia and China.

Outlook for the Coming Fiscal Year

Regarding the outlook for the coming fiscal year, concern over the prospects for the US economy along with stagnating consumer spending and capital investment in Japan is causing continued uncertainty. Against this background, we will continue to promote the three initiatives we mentioned above: the creation of proposal-oriented business models, the strengthening of customer relationships, and the expansion of "top share" businesses. We will also push ahead with consolidating and discontinuing businesses as appropriate across the Group as a whole and continue to cut costs through rationalization measures.

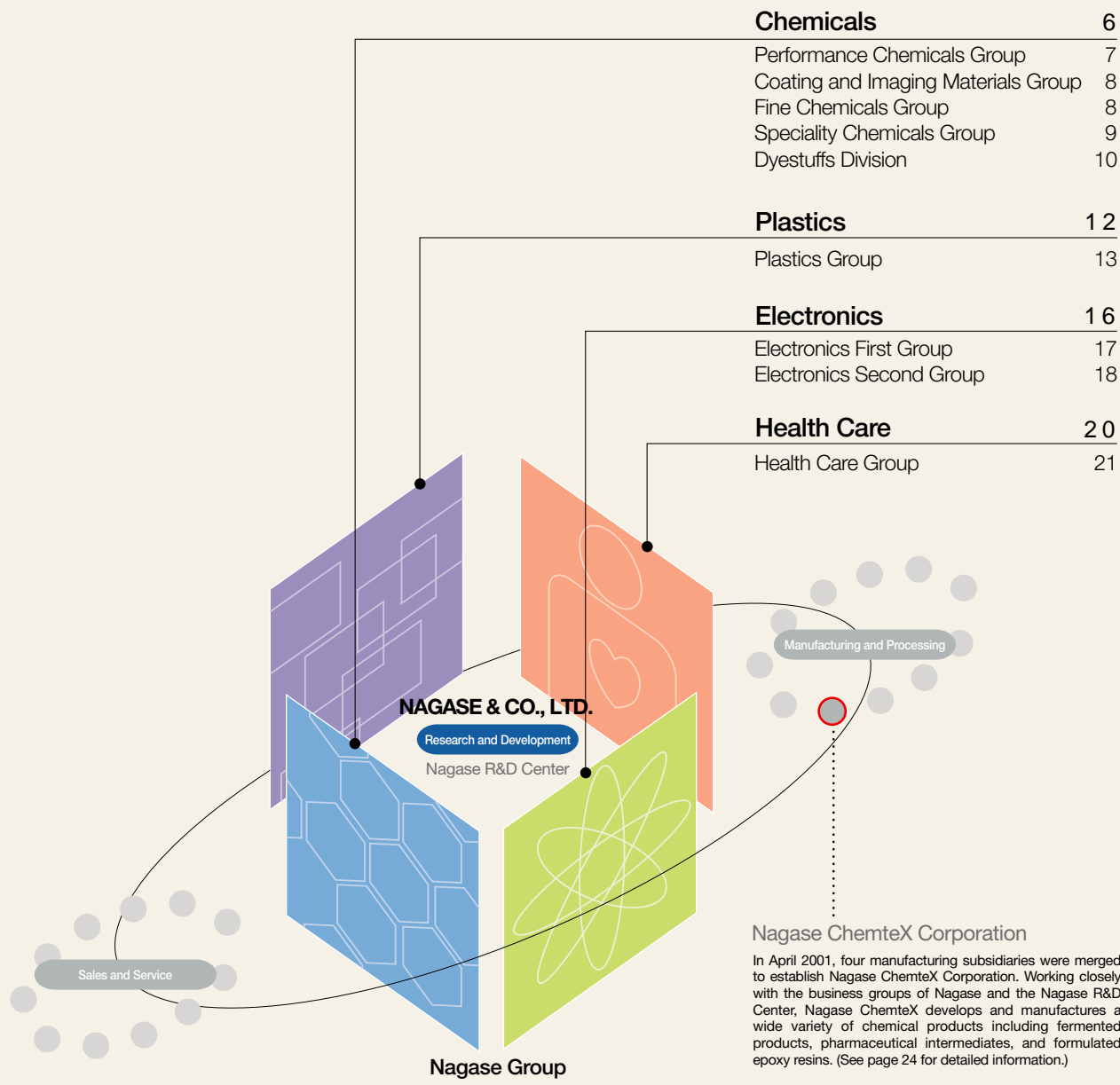
By implementing the above initiatives, we forecast net sales of ¥500 billion for the term ending March 2003, operating income of ¥5.5 billion, and net income of ¥4.8 billion. We planned to raise N-ROE to 7% for the final year of the Medium-term Management Plan, but given the extremely severe business conditions we are revising the projection for N-ROE downwards to 5%. We intend to continue to pay a dividend of ¥8 per share of common stock, the same as in the year under review.

We are committed to promoting the further development of the Nagase Group by strengthening our business structure and corporate systems, and to making even greater contributions to the community. We look forward to your continuing support in these endeavors.

July 1, 2002.

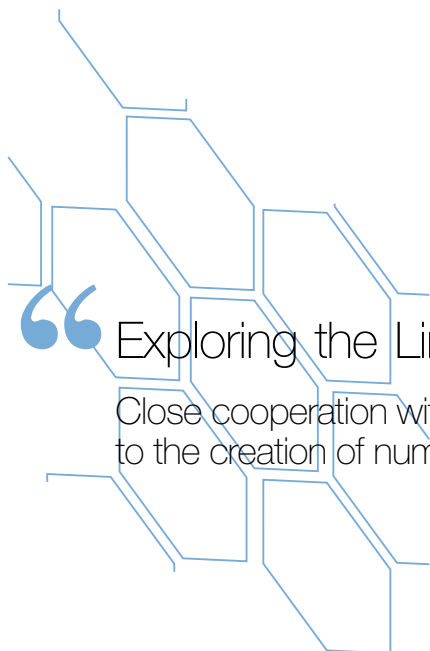
Hideo Nagase, Chairman

Hiroshi Nagase, President



Overview of Business Operations

This section explains the current situation and future prospects for each business group.



“ Exploring the Limitless Potential of Chemistry ”

Close cooperation with the Nagase R&D Center is leading to the creation of numerous new businesses



The Nagase R&D Center engages in joint research with pharmaceuticals manufacturers and university research organizations to generate the seeds that grow into new businesses. One example is our success in generating chiral compounds (optically active substances) by means of the biocatalytic method.

Performance Chemicals Group

The Performance Chemicals Group supplies the resin, paint, and ink industries with a wide range of products encompassing everything from petrochemical products to functional pigments and dyes. For many years an import-driven business group, in recent years we have seen our export ratio approach 25%, an upward trend that continues apace. We are hastening to transform our business structure, and have entered into alliances with other Chemicals, Plastics and Electronics groups that have downstream business operations in an effort to develop new businesses.

Main Products Handled:

Petrochemical products, plastics raw materials and additives, pigments

Developing new domestic and overseas markets focused on color, films, and niche products

With the market for our products expanding beyond Japan to ASEAN countries, and from ASEAN countries to China, the Performance Chemicals Group is focusing on developing new businesses, such as support for customers as they transfer their production bases to China. For instance, we are providing customers with useful functions such as smooth procurement of raw materials and risk hedging on the collection of receivables. In cooperation with other business groups we intend to develop applications for the products our customers make in China and sell those products, as we expand the scope of our business.

As is happening in the West, it is now commonplace in the Japanese chemicals industry for companies to merge, transfer businesses, or withdraw from business sectors, and the old way of doing business based on the mere brokering of products is no longer of value. Acting as a purchasing agent for our customers, we are carrying on with efforts to locate and procure products with new functions that customers desire, not only in Europe and North America where the chemicals business is highly developed, but also in Asia, an emerging source of supply.

In addition to these activities, we are also working to develop new markets from a fresh perspective. Over the years the Performance Chemicals Group has adequately met the demands of our customers' customers, but has had few opportunities to directly respond to the needs of manufacturers of finished products. The Nagase Group as a whole, including other business groups, however, covers the market from upstream to downstream, and can offer even manufacturers of finished products a broad selection of products. We are therefore forming partnerships with other groups who develop downstream businesses both domestically and abroad, aiming to develop new businesses that meet the needs of finished product manufacturers in such areas as consumer electronics and housing. With color as our strength, we plan to put particular emphasis on highly functional films for plasma display applications and our original niche products.

One example of this approach is the launch of Color Lab, a system for creating original color formulas using functional colorants such as sparkling pigments. Through this project we have become involved in the color selection process for home appliances, printed materials and other products made by our customers, moving into the business of selling color expertise rather than just colorants.

Color Lab

The Performance Chemicals Group newly launched Color Lab, a system by which we go beyond the sales of colorants to offer color expertise.



Exhibiting the Color Lab system at the 2002 Paint Show



Yoshizo Shibata
Executive Officer

Coating and Imaging Materials Group



Eiji Asami
Executive Officer

The Coating and Imaging Materials Group is engaged in two business sectors. The first is imaging and recording materials, a field in which we have been involved for many years. It includes pressure-sensitive and heat-sensitive paper, non-impact printing materials, and raw materials for paper manufacturing. The second is coatings in the form of raw materials for inks and paints. We are currently utilizing other groups' sales channels and customers, and making full use of our network of leading chemical manufacturers, as we construct a new business model that adds value to conventional raw materials supply.

Main Products Handled:

Products and materials for imaging and recording, chemicals for paper manufacturing, raw materials for paints and inks

Taking full advantage of Nagase's intellectual properties and internal and external networks to construct a new business model that adds value to raw materials supply

The Coating and Imaging Materials Group is working to fully leverage the intellectual properties and internal and external networks of Nagase to bring high added value to our business. An example of this is the creation of new businesses by means of forging strategic partnerships. This involves cooperating with materials suppliers and users to move beyond the supply of raw materials to create businesses involving issuing new product proposals, providing sales support, and supporting distribution activities. One aspect of this has been the development of N-SCM, a model for supply chain management developed by Nagase. At present, N-SCM centers on proposals for streamlining physical distribution in the coatings business, but future plans call for extending it to include services that take advantage of our abundant product knowledge: for instance, proposals for storage and transport methods tailored to our customers' products. We also intend to extend N-SCM to the area of imaging materials.

We are also stepping up our engagement in the Chinese market. We offer distribution and sales support for Japanese companies moving their operations overseas, targeting primarily customers who would have difficulty undertaking the move on their own.

At the same time, we have begun considering partnerships with other groups and sales companies to raise the value-added of both partners' businesses. For example, we are considering the potential for combining our information on inks and paints with the Plastics group's plastic products for automobiles and plastic materials for consumer appliances. Another opportunity could involve using some of our

products and materials for imaging and recording with the organic LED materials handled by the Electronics groups. We intend to pursue the possibilities of developing new markets by exploring partnerships with outside groups such as these and by making full use of the knowledge and expertise accumulated by the Group.



Building Strategic Partnerships

The Coating and Imaging Materials Group is building strategic partnerships with suppliers and users to create new businesses in the areas of product commercialization support, sales support and distribution support.

Fine Chemicals Group



Takeo Kaneko
Executive Officer

The Fine Chemicals Group takes a global approach in providing functional products and services that are closely connected with people's lives and lifestyles, such as pharmaceuticals, agricultural chemicals, and household insecticides. During fiscal 2003 we are working to establish a new business to take its place alongside pharmaceuticals and agricultural chemicals. Promoting businesses focused on the life sciences sector, we added enzymes, enzyme products, toiletry raw materials, food additives, health food materials, and nutritional supplements to our existing line-up of products.

Main Products Handled:

Pharmaceuticals (raw materials, intermediates, APIs, formulations, additives), agricultural chemicals (intermediates, bulks, formulations, submaterials), household insecticides (intermediates, bulks), diagnostic reagent materials, enzymes, enzyme products, toiletry raw materials, food additives, health food materials, nutritional supplements, feed and culturing products

Providing of an extensive line of functional products and services centered on the life sciences

Research and develop leadtimes for creating a new drug are said to average twelve years in Japan and eight years in the United States. For this reason, streamlining and speeding up the drug development process is fast becoming an important management issue for the world's pharmaceuticals manufacturers.

The Fine Chemicals Group contributes to streamlining our customers' drug development processes, leveraging the technological capabilities of the Nagase R&D Center and of the manufacturing subsidiary Nagase ChemteX. As a part of these activities, we capitalize on the strengths of a domestic and overseas network that comprises more than 400 companies to outsource the production of intermediates, which pharmaceuticals manufacturers use in the mass production of drugs as well as during research and development. A particular advantage is our front-line staff who consult with customers. These employees possess knowledge of synthetic organic chemistry, biochemistry, and pharmacology. This enables us to provide a rapid, high-level response to customer needs in any number of areas, from generating process solutions to facilitating mass production to consulting on the development of environmentally friendly, pollution-free processes.

We are focusing on developing new businesses in the area of the life sciences to establish a mainstay business to complement our pharmaceuticals operation, putting special emphasis on new gene therapy-related products and technologies, food additives, and raw materials for health foods. Specifically, we are working to expand our business in household products, an area for which we are already the top supplier of bulk formulations. We also are developing a business in natural and fermented products that leverages our knowledge of enzymes.



Investing in Overseas Venture Companies

Most industry observers believe that in twenty years gene therapy will be squarely in the mainstream of health care. We are devoting our efforts to establishing a new business in this field, aggressively investing in overseas ventures and working to develop the new technologies and products needed in the field.

Speciality Chemicals Group

The Specialty Chemicals Group handles a wide range of chemical products for industrial and household applications. Our ultimate mission is to take full advantage of the Group's knowledge of chemicals and abundant information and serve as a bridge linking the chemicals industry with outside industries. During fiscal 2003 we are assumed responsibility for the high reactivity chemicals, catalysts and other products previously handled by the Fine Chemicals Group, a development that expanded our product range. We are focusing on the formation and development of small business units (SBU) that combine our wide-ranging products, technologies, and information in exploring the potential of new businesses.

Main Products Handled:

High reactivity chemicals, electronics chemicals, catalysts, raw materials for toiletries, surfactants, household raw materials, fluorine, silicon

Focusing on the development of new businesses that leverage our wealth of products, technologies, and information

The Specialty Chemicals Group handles chemical products for a broad spectrum of special applications that range from household detergents and other consumer products to plating, water treatment agents, detergents for precision parts processing, electronics chemicals, and environment-related materials.

To fully leverage the markets, technologies, and customer information accumulated over the years by Nagase, we are currently engaged in developing a new business model that involves launching multiple SBUs within the group. This involves selecting promising projects from among more than 200 project themes put forth within the group and testing their potential for being developed as new businesses. We are already actively engaged in business development activities based on developing energy-related products, expanding resist products, and constructing sales networks with China as a supply base.

Although it will be some time before the fruits of these activities are reflected in actual business results, we intend to continue to make use of Nagase's knowledge of chemicals as well as its information gathering and procurement capabilities to expand the scope of our business. To that end, we plan to take advantage of the sales channels and information networks of other divisions to explore the potential for new businesses and to strengthen our alliance with subsidiary Nagase ChemteX. With Nagase ChemteX we intend to develop new products based on its epoxy organic synthesis, compounding and fermentation technologies.



Shingo Bamba
Executive Officer

Dyestuffs Division



Yasuhiro Yamasaki
 Manager, Dyestuffs Division
 President, Nagase Colors & Chemicals Co., Ltd.



The Dyestuffs Division sells dyestuffs, chemicals, and machinery for processing textiles. We enjoy total coverage of the domestic market through Nagase Colors & Chemicals Co., Ltd., Delta Fine Chemical Co., Ltd., Nishinon Nagase Co., Ltd. and Kyushu Nagase Co., Ltd. We have launched a functional dyestuffs business targeted at the entire Asian region, bringing to fruition previous efforts to enter Asian markets.

Main Products Handled:

Dyestuffs, dyeing auxiliaries, industrial chemicals, finishing agents, textile processing resins, adhesives for textiles, functionality-added finishing agents including anti-bacterial agents, deodorizing agents, and shape memory agents

BOAT21 Borderless Action in the Textile Field — A functional dyestuffs business targeting the entire Asian region is launched

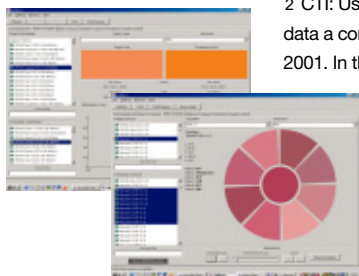
Though the Japanese dyestuffs market has contracted in recent years, in the world's textiles market development of a global supply chain with Asia as the base of supply has progressed. In response to these changes, the Dyestuffs Division has stepped up business development activities aimed at Japanese companies entering Asian markets. In fiscal 2003, we launched a project named BOAT21. This project brings together the collective capabilities of the Wise Men's Group¹ in Japan, the Shanghai Office, the Shanghai Techno Center, and our subsidiaries in Thailand and Indonesia to powerfully promote technological support and raw materials procurement for the dyeing and finishing industry as a whole. Furthermore, we intend to extend our business activities developed only in the midstream of textile production to encompass upstream and downstream areas.

Scheduled to begin operations in September 2002, the Shanghai Techno Center plays the pivotal role in this initiative. Initially this facility will perform on a contract basis staining (dip dyeing) tests, finished process tests and various dye fastness tests in conformance with JIS. Beginning in fiscal 2004 we plan to install testing equipment necessary for performing continuous dyeing and printing tests and we intend to increase the number of local staff. This facility will work closely with the existing Techno Center within the Osaka headquarters, and in the future will provide the same technical services overseas that are provided in Japan.

In Japan, the recognition capabilities of the computer telephony integration (CTI)² system we introduced in April 2001 have increased, and we will make use of customer relations management to strengthen relations with key customers and expand our business in niche markets.

1 Wise Men's Group: This is an organization of specialists from within and outside Nagase who work to find more concrete ways of taking advantage of our technology and information orientation. In conjunction with the Techno Center, this organization has issued proposals related to the establishment of dyeing technologies for new materials, the development of dyestuffs, dyeing auxiliaries and finishing agents, and the production and formulation of blended dyestuffs by means of original techniques.

2 CTI: Using this system Nagase manages more than 1,000 delivery destinations. Based on customer purchase order data a computer forecasts demand and issues instructions to the system operator. The system began operation in April 2001. In the future we plan to consolidate the order receipt function in a single location.



Development of the Digital Swatch Color Matching System

Selection of a dye color traditionally involved viewing color samples or other colored objects. Now, the innovative Digital Swatch Color Matching System utilizes the Web to enable color confirmation, selection, and specification on computer monitors. The system represents a cross-border supply chain management solution for expediting processes from color specification to dyeing and for facilitating quality control.

Techno Center

The Techno Center is responsible for development of proprietary products and the dissemination of technical information. Currently, the center is developing metal-free dyestuffs and working to develop technologies to improve light-fastness, durability, and texture for specialty apparel applications. Another Techno Center is scheduled to open in China in September 2002.



Contract manufacture of pharmaceutical-related products

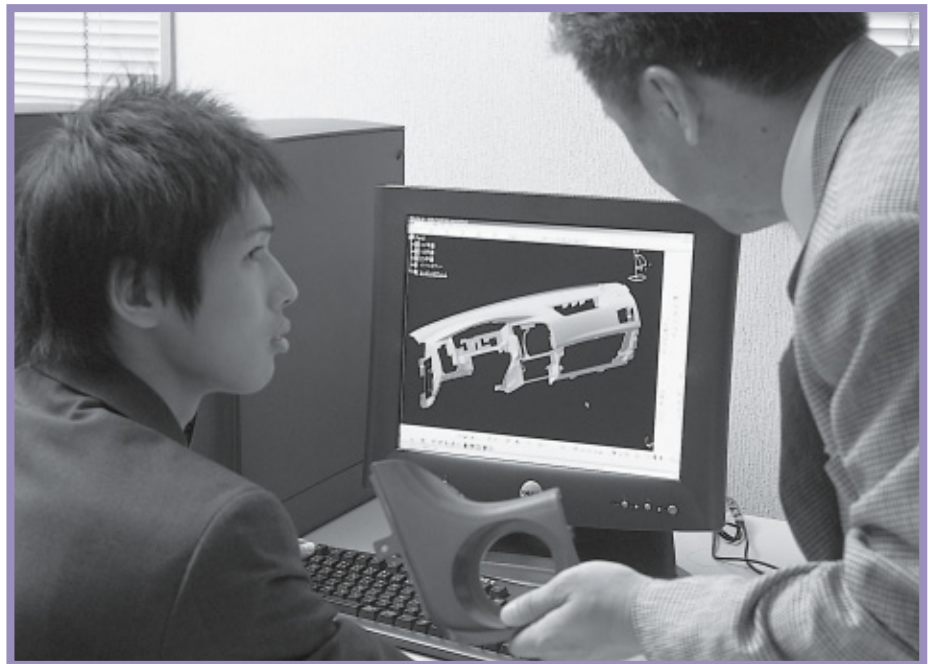
To satisfy the needs of pharmaceuticals companies pursuing rationalization of the drug-making process, we engage in the contract manufacture of intermediates, APIs, and formulations used in the research and development of new drugs.

The lower photograph is of an injections manufacturing line at the Itami Factory of manufacturing subsidiary Nagase Pharmaceutical Co., Ltd.



“ Solving the Issues Facing Industry is Our Core Business ”

Broader Coverage and More Rapid Response in the Global Marketplace



In February 2002 Nagase established Design & Die Co., Ltd., a joint venture engaged in the development and engineering of plastic components for automobiles. The new company helps shorten development times, enhance quality, and reduce costs for automotive manufacturers by providing across-the-board subcontracting services for processes ranging from advanced three-dimensional solid parts design to prototypes and mass production dies.

Plastics Group

Adopt a thoroughly customer-oriented approach and actively invest when necessary — In line with this management vision, in June 2001 we started a system of strategic business units (SBU) to serve as the interface with the market and our customers. We have devised a number of business models — region-oriented, user-oriented, manufacturer-oriented, and product development-oriented — in response to the increasingly diversified, complex, and sophisticated needs of individual customers, and have begun anticipatory investment to further develop and nurture them.

Main Products Handled:

Thermoplastic resins, thermosetting resins, synthetic rubbers, inorganics, auxiliaries, plastic products, plastic-related equipment, devices and dies

Establishing a flat organization for rapid decision-making in line with customer needs

We believe a “trading company of choice” is a company that can accurately and rapidly implement the solutions required by customers and markets. The Plastics Group has restructured our operations and transformed our business processes in accord with this belief and on the basis of the idea that “the answer to everything lies in the market.”

With markets changing at a bewildering pace, decision-making in the conventional pyramid organization was not fast enough to keep up and led to lost business opportunities. For this reason, in fiscal 2002 we abolished the traditional “department” and “section” structure and launched a system of 23 SBUs aligned with markets and customers, delegating authority while at the same time speeding-up decision-making. The SBUs will explore various region-oriented, user-oriented, manufacturer-oriented, and product development-oriented business themes.

At the same time, we put in place a separate support structure for the 23 SBUs. We formed a specialist legal and taxation unit staffed by people with expert knowledge in investment and risk assessment. We also created a specialist information technology unit to actively utilize IT and e-commerce. Through these organizational reforms, we are creating a “proposal-based business” that will motivate customers to choose us as a business partner.

Twenty-three customer — and market-oriented SBUs create diverse new markets and products

Currently, the Plastics Group’s 23 business units pursue their respective business themes, identifying industry trends from a global perspective and engaging in aggressive overseas business development.

Some business units have set their sights on creating new businesses in various Asian markets. For instance, currently many companies in the automotive, electric, and electronics industries are expanding their production bases in China. In response to this situation, during the year under review Nagase established Nagase Precision Plastics Shanghai Co., Ltd., a company that produces industrial plastic packaging materials such as electronic component transport trays. The new company, KNCT Co., Ltd., a company established in Thailand in fiscal 2001, and domestic manufacturing subsidiary Kotobuki Industries Co., Ltd. comprise a network that links Japan and other Asian countries. Our aim in constructing this supply structure for industrial plastic packaging materials is to expand our business in Asia.

We have established a regional sales base in the northeast of China, and plans call for enhancing our sales network in central, east, and south China. We are also establishing a representative office in Hanoi, Vietnam in anticipation of a trend toward expansion of production bases beyond China throughout all of Asia.

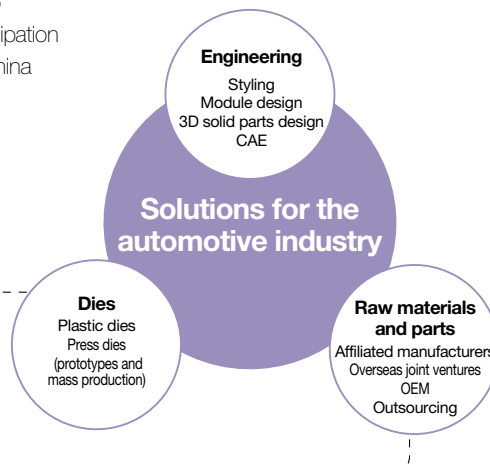
With regard to our automotive business units, in February 2002 we established the development and engineering company Design & Die Co., Ltd. in Japan. Overseas, we established Nagase Plastics America Corp. in January 2002 in Detroit to meet customer needs in areas

Business Process Outsourcing for the Automotive Industry

With the establishment of Design & Die Co., Ltd. Nagase has developed 3D solid designs for automotive parts. This development makes it possible to strengthen our comprehensive solutions business, which involves raw materials supply, prototypes, production dies, and development support.



Kazuaki Kobayashi
Director and Executive Officer



Plastics

such as global procurement. In fiscal 2003 we will establish a representative office in Budapest, Hungary. From these operating bases we will reinforce our solutions business by which we offer opportunities for the world's automotive manufacturers to streamline their development, planning, and production facilities.

Other business units focus on environment-related initiatives. One such SBU supplies air-cooled refrigerating systems for use with machine tools and other such devices. Many manufacturers who have transferred production to Asian countries are plagued by incessant machinery failure due to the poor quality of local water used as cooling water. Our waterless air-cooled refrigerating systems are attracting attention both for solving this problem and for not requiring wastewater processing.

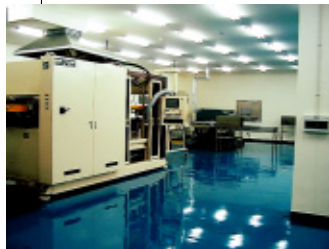
The initiatives on which we are focusing the greatest effort are the development of new businesses and new markets in Japan. The ongoing aging of society is certain to give rise to increasingly barrier-free environments in urban spaces, public facilities, and the home. In addition, environmental concerns have given rise to demand for fully recyclable materials. The Plastics Group will link this latent demand with the products we offer to open unexplored new markets for the company.

For instance, the Plastics Group has offered a recycling system for housing materials that uses Pluswood, a product original to Nagase. Leveraging the knowledge and expertise gleaned through this program, we are now working to develop new products and services targeted at market sectors where environmental impact is a concern.

Nagase is already much more than a company that supplies materials to manufacturers. We will continue to create new businesses required by the market by taking advantage of our worldwide network and making use of our wealth of internal and external technologies and information.

Air-cooled refrigeration systems

The Plastics Group is putting its efforts into an innovative, fully electrical air-cooled refrigeration system. Because this system does not require a tower or underground cistern for water cooling, or a large-scale water treatment system, it delivers a dramatic reduction in mechanical trouble. Moreover, it is attracting attention as an environmentally friendly product.



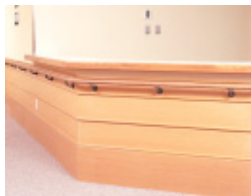
Plastics manufacturing subsidiary in Shanghai established

In January 2002 Nagase established Nagase Precision Plastics Shanghai Co., Ltd. in Shanghai as a plastics manufacturing subsidiary. The new company began production of plastic trays for electronics component carriers in March of the same year. We intend to engage in sales initiatives directed at Japan-affiliated manufacturers of electronic equipment and parts active in China.

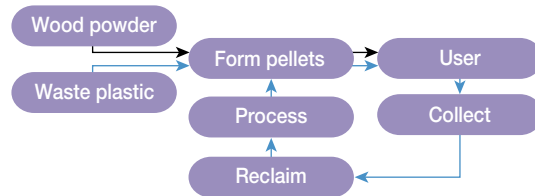


Pluswood

Pluswood is a plastic compound building material containing more than 51% by weight of wooden material. An environmentally friendly construction material, Pluswood contains no formalins or dioxins and can be recycled for reuse. Nagase has incorporated it into a housing materials recycling system.



Recycling System for Housing Materials



“ We Listen to the Voice of Customers in the Chinese Market ”

Contributing to developing infrastructure for the spread of PHS



In a joint project with Group company Gigatec Inc. we have developed PHS base station components such as power amplifiers. These products are selling well in China, a market where demand for PHS communications is on the rise.

Electronics First Group

In close cooperation with production and sales companies within the Nagase Group, the Electronics First Group is engaged in providing the electronics component, semiconductor, and liquid crystal industries with materials and systems solutions. We are currently expanding our business in China, Korea, Taiwan, Singapore and other Asian markets, and aggressively investing to build a foundation for future growth and business development.

Main Products Handled:

Semiconductor manufacturing equipment, chemicals management systems, semiconductor and photolithography chemicals for liquid crystal manufacture, semiconductor packaging materials, semiconductor packaging systems, insulating materials, fluoroplastic-related products, epoxy-resin related products

Expanding investment in the Asia region with a focus on China for the construction of next-generation business infrastructure

Based on company-wide business policies, the Electronics First Group has established the following policy initiatives:

1. Expand and enhance manufacturing capabilities, with a focus on Nagase ChemteX. 2. Expand activities as a trading company with production capabilities in the Asia region. 3. Achieve early profitability from businesses in which we have already invested. 4. Launch new functional materials. 5. Establish next-generation businesses (two to three year timeframe) through organizational restructuring.

We intend to create profitable businesses by strategically linking and implementing these policies. In particular, we are expanding our activities as a trading company with production capabilities by making large-scale investments in Asia. With domestic markets for electronic components, semiconductors, and liquid crystal maturing and markets elsewhere in Asia growing rapidly, we intend these investments to strengthen the foundation for our future growth and development.

In July 2001 Nagase established the joint venture company Nagase CMS Technology Co., Ltd., a company whose mainstay product is the chemicals management systems (CMS) that Nagase is working to expand. Aggressive capital expenditure in Japan, Korea, and Taiwan enabled this company to achieve its first-year targets. In September, Nagase also established Nagase Fine Chemicals Singapore (Pte) Ltd. and in the summer of 2002 we plan a full-fledged launch of a chemicals management business serving liquid crystal panel and semiconductor factories in Singapore.

In fiscal 2003 we will actively develop business in the semiconductor and liquid crystal market sectors. Primary areas of focus will be our core semiconductor manufacturing pre-processing and post-processing materials, liquid crystal pre-processing materials, epoxy resins and other functional materials, and systems solutions centered on the chemicals management system.

In the area of semiconductor pre-processing, we will launch a developer dilution system that uses non-filtration membranes (reverse osmosis), and will expand local production in Korea and Taiwan. We are continuing joint development of next-generation photoresists with Korea Kumho Petrochemical Co., Ltd. that began in fiscal 2002, and by strengthening our alliance with Ashland Chemical Company of the U.S. we are working to expand our business in removers for semiconductors. We will also launch new products into the liquid crystal market segment.

With regard to semiconductor post-processing, the wafer bumping processing business conducted at Alpha Bumping Technology Co., Ltd., a domestic subsidiary established in fiscal 2001, is now in full swing, and we expect to gradually see results from this undertaking going forward. The LSE (liquid epoxy semiconductor encapsulation agent) business in fiscal 2002 was affected by the sluggish semiconductor market, however, work continues on putting in place a global sales network that we expect to lead to a 20% share of the market within a few years.

As for functional materials, we are planning to produce formulated epoxy resins in China and intend to launch onto the market new value-added adhesives with induction heating, UV anaerobic, and Deep UV properties.

What's more, through the Strategic Development Division established in April 2002 we will bolster teamwork with Nagase groups involved in chemicals and plastics to engage in new businesses that leverage Nagase's proprietary knowledge in the areas of liquid crystals, organic light emitting diodes (LED), and nanotechnology.

Nagase & Co. and Nagase ChemteX sign a contract with the City of Wuxi, paving the way for construction of a joint plant in China
Nagase & Co. and Nagase ChemteX have secured from the City of Wuxi the land necessary to construct a plant to produce formulated epoxy resins for electrical, electronic, tooling, and adhesive applications.



Kyoichi Zushi
Executive Officer



Second from the left in the first row is Gong Pei Xing, Vice Mayor of the Wuxi Municipal Government

Electronics



Kazuo Nagashima
Executive Officer

Electronics Second Group

The Electronics Second Group handles key devices and equipment for the IT sector, including displays, communications components, network equipment and image processing devices. In order to respond to the advance of Japanese and Taiwanese semiconductor and liquid crystal device manufacturers into China, we are actively focusing on developing our business there.

Main Products Handled:

Display units, material for liquid crystal displays and organic light emitting diodes (LED), precision abrasive materials, network equipment, wireless communication modules and systems, communications-related integrated circuit chips, optical communications components and materials, surface defect inspection system

Creating original businesses in partnership with Group manufacturing and processing affiliates

The Electronics Second Group is currently focusing on creating original businesses that will contribute to sustained increases in corporate revenue. To this end, we will take advantage of the knowledge and expertise accumulated over many years by the trading company Nagase in order to create original businesses in the IT and electronics industries. Further, we will leverage the capabilities of the Group's manufacturing and processing companies. Accordingly, we are in the process of dividing responsibility with other parts of the Group and external business partners to build a cooperative framework for business development.

In fiscal 2002 we targeted communications-related demand in Asian countries, a sector expected to grow in the coming years, and developed our overseas operations in cooperation with other Group companies. Sales of PHS base station components (such as power amplifiers), developed taking full advantage of the communications technologies of Group company Gigatec., have increased rapidly in China, a market where wireless communication is demonstrating explosive growth in popularity.

In China, we are already involved in display unit production and polarizing film processing, and we plan to expand local production operations by manufacturing light-emitting diodes. We have dispatched additional staff to China in anticipation of future growth from this market.

Some of the businesses we have focused on the past few years are beginning to bear fruit. Sales of Scantec are growing satisfactorily. Scantec is a surface defect inspection system for steel plates of automobiles and optical films, and in the near future we will ramp up our sales activities in order to establish it as the standard inspection system for optical films. In the area of precision abrasive materials as well, sales of abrasive slurries used in leading-edge chemical mechanical polishing processes are steadily increasing despite a slump in the semiconductor device industry. We are also hastening development of related materials.

Our efforts in the communications sector during fiscal 2003 will continue to focus on reinforcing our sales of power amplifiers for PHS (Personal Handyphone System) base stations and other infrastructure products for the mobile communications business. We have also concluded a sales agency agreement with Memtek International Inc. to market Memorex brand products, the global market leader in CD-R and DVD-R media. As we commence sales of these products, we plan to take advantage of this opportunity to expand our IT business. In the area of network storage products, we are engaged in a cooperative venture with Group subsidiary Hoei Sangyo Co., Ltd. and are approaching the stage where we can progress from development to a major expansion in sales.

Although last year the semiconductor and communications industries were mired in a slump, manufacturers are actively preparing for the next generation of markets. Nagase is a part of this trend, as it incisively grasps market movements and creates original businesses.

Agency Agreement for Sales of Memorex Products

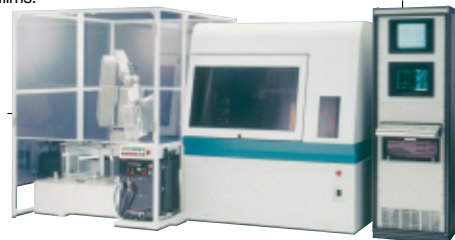
As part of our efforts to expand our IT business, we have signed a sales agency agreement with Memtek International Inc. to market CD-R and DVD-R products.



Front row left, Eugene Kuo, Deputy Chairman of Memtek International

Scantec Sales Expand

Sales of the Scantec surface defect inspection system for optical films are growing satisfactorily, as we are vigorously engaged in sales expansion activities aimed at establishing Scantec as the standard inspection system for optical films.





Nagase Finechem Singapore (Pte) Ltd.

Construction has begun on a new plant for Nagase Finechem Singapore (Pte) Ltd., a company which produces chemicals for use in the manufacture of liquid crystal panels and semiconductors. In addition to supplying chemicals to major electronics manufacturers, the new plant will be equipped with systems for recovering and recycling waste fluids generated during manufacturing processes. It will provide liquid crystal panel and semiconductor production plants with suggestions for contributing to environmental preservation and lowering costs.

“ Our Mission is to Contribute to Beauty and Health ”
In Closer Contact with Consumers



The discovery of carnosic acid, with its whitening and moisturizing action, represents the culmination of years of research into the properties of rosemary. In April 2002 we launched Sela White Essence V, a new whitening essence that incorporates this ingredient.

Health Care Group

As society ages, awareness of health is increasing. Rooted in a “company-to-consumer” orientation, we provide products and services that support a secure and comfortable life for our customers, contributing to people’s lifetime health plans and their quality of life.

Main Products Handled:

Cosmetics, health foods, beauty foods, bacteria test devices and reagents, diagnostic systems, infectious disease control systems, reagents for research, x-ray-related equipment, automatic gene extraction devices, electronic medical chart systems, healthcare accident prevention support systems, home nursing care products, home therapy devices

Offering a comprehensive health care information system to help advance community health care

The Health Care Group does business in the fields of medical and beauty care with a view to contributing to secure and comfortable lifestyles.

The products we handle in the medical care sector include nursing care products and home therapy devices for people whose health has declined, as well as medical care information systems that contribute to improved health care services. We are especially focusing efforts on these systems. Taking advantage of the knowledge and experience gained through our involvement with infectious disease control systems, we began sales in fiscal 2002 of electronic medical charts for comprehensive medical care systems. This system for consolidating patient information is highly regarded not only as a means of increasing the efficiency of diagnosis and treatment, but also as a tool for increasing management efficiency at medical institutions. It has been installed at medical institutions nationwide, including university hospitals.

In recent years an increase in the number of medical-related accidents has become a serious problem. In response to this we developed a support system to help prevent medical-related accidents in a joint effort with Tohoku University. By linking a LAN in the hospital with PDAs carried by hospital staff this system makes it possible to accurately distinguish patient type, medical treatment, and administered medication. Operational testing at Tohoku University has already been completed and we have begun selling the system nationwide.

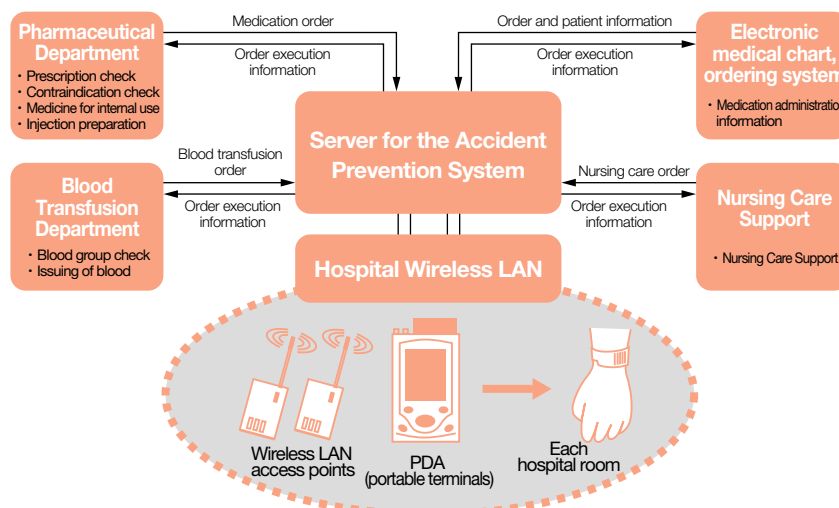
Although we are still at the conceptual stage, we plan to create a new framework for regional medical care that will allow this medical information system to be used throughout the region. For example, linking all the large hospitals, small and medium-sized hospitals, clinics and private practitioners in a specific region via the Internet would allow each institution to shoulder its share of the burden while making the most of its individual specialties. This would ensure that they are all in the position to take appropriate preventative measures and offer the most suitable medical treatments. As a first step, we are engaged in activities to sell our electronic medical chart system to a wider market, including clinics and private practitioners.



Makoto Ono
Executive Officer

Support System to Prevent Medical-related Accidents

By linking PDAs the hospital LAN and barcodes, this system to prevent medical-related accidents makes nursing care more efficient by matching patients and treatments. The medical care environment is made safer because the system integrates the management of information, actions, and objects.



Health Care

Yet another initiative directly linked to increasing quality of life is home health care. In the years to come the number of people who will require home medical care and nursing care is certain to increase. We have already developed an oxygen concentrator jointly with Respironics Inc. of the United States and plan a full-scale launch in October 2002. This represents the first step in a program to expand and enhance our home medical care business.

We are also actively doing business in China, establishing a joint venture company in Shanghai to produce clinical testing reagents and kits. We also opened sales routes into Singapore and Taiwan.

Opening salons and shops nationwide to provide more reassuring, reliable beauty care

In the beauty care market sector, we sell health foods for the maintenance of good health and high-grade cosmetics that help to prevent aging through a nationwide network of 40,000 door-to-door sales people. As in our medical care business, in our health foods and cosmetics business we have made "peace of mind" and "trust" our watchwords in preparation for the day when products with no scientific basis or products that don't offer clear-cut effectiveness won't sell.

Based on this awareness, for years Nagase has researched the efficacy of natural extracts such as herbal extracts in cooperation with university research institutes and the Nagase R&D Center. We have paid particular attention to the aromatic plant rosemary, about which we have discovered various effects and made presentations at academic conferences. Last year we discovered a new substance with whitening and moisturizing action that represents the culmination of long years of research. In April 2002 we launched Sela White Essence V, a new whitening essence that incorporates this new ingredient.

The Health Care Group's products are produced by an integrated system that begins with research and development and continues through to manufacturing. For many years we have valued direct communications with our customers, selling our products door-to-door. Beginning in fiscal 2002, we are opening beauty salons in areas across the country to provide our customers with even greater peace of mind as they use our products. Taking advantage of the characteristics of door-to-door selling, we are working to enhance the salon's counseling services, which make use of a range of high tech devices.

As a new experiment, in February 2002 the subsidiary Herbal Care Co., Ltd. began in-store sales. The company opened four Pour Toi stores located in the Takashimaya Tamagawa Store, Odakyu Shinjuku Store, Mitsukoshi Ebisu Store, and the Odakyu Machida Store. At these shops the company sells its products, provides counseling, and enables customers to try aromatherapy and esthetic services.

Based on the theme "Turning wisdom into business," Nagase is currently engaged in an effort to originate new businesses. The Health Care Group has long turned wisdom into safe products and services and provided them to our customers, and we intend to continue to create high-quality health care that fosters "peace of mind" and "trust." Our support system to prevent medical-related accidents and our beauty salons represent the first step toward this end. In the coming years we will continue to pursue the potential of medical care and beauty care and contribute to enhanced quality of life.



The Kobe Beauty Salon in Kobe's Central Ward.

Newly Established Beauty Salons

We have established beauty salons in various locations to enable people to use the door-to-door sales services for cosmetics and health foods with greater peace of mind. Featuring a full range of counseling services that make use of high tech devices, these offices deepen communications with customers.



Pour Toi

Herbal Care Co., Ltd. launched in-store sales in February 2002. At four Pour Toi stores located in the Takashimaya Tamagawa Store, Odakyu Shinjuku Store, Mitsukoshi Ebisu Store, and the Odakyu Machida Store, the company sells its products and provides counseling, aromatherapy, and esthetic services.

1 One Year since Integration of Manufacturing Subsidiaries

— New Challenges for the New Nagase ChemteX (NCX)



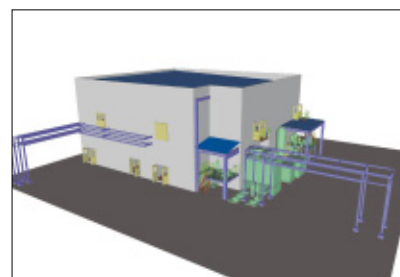
Reiji Nagase
President,
Nagase ChemteX Corporation (NCX)
Managing Director and Executive Officer,
Nagase & Co., Ltd.

Nagase ChemteX (NCX) was inaugurated in April 2001 by the merger of four manufacturing subsidiaries belonging to the Nagase Group. During the current term, its 12 business segments were restructured into five business groups to create an organization capable of offering proposals for new businesses from as close as possible to the customer's standpoint. NCX also started to develop new business potential by fusing the technologies and expertise accumulated by the companies prior to the merger.

Focusing on the Field of Health Care

In the area of pharmaceuticals manufacture, the world's pharmaceuticals companies are increasingly concentrating resources on research and development. In Japan, progress in deregulating the pharmaceuticals sector has made it possible for us to form alliances of various kinds. For many years, we have provided pharmaceuticals companies with pharmaceutical raw materials and fine chemicals. Now, in addition to offering support for the mass production of pharmaceuticals, we are manufacturing on contract such products as the intermediates used in drug development and are providing assistance for the development of manufacturing processes. As part of these initiatives, we expect during the coming term to complete a small-scale intermediates plant that satisfies the code of good manufacturing practice (GMP) for pharmaceuticals. We are also considering further investments in these areas in the future.

While working on expanding the health care business, a primary area of focus of the Nagase Group, we are also prioritizing research and development on fusing organic synthesis technology and biotechnology, a field which harnesses the power of enzymes and microorganisms.



Conceptual drawing of the small-scale pilot plant for pharmaceutical intermediates in Fukuchiyama

New Developments in the Electronics Business

Electronics is another area of focus of the Nagase Group. As manufacturers of liquid crystal panels and semiconductors move production to locations overseas, the Group is growing businesses at sites overseas to locally manufacture and recycle chemicals. The summer of 2002 will mark the completion in Singapore of a chemicals manufacturing and recycling plant for Nagase Finechem (Pte) Singapore. As a manufacturer, we will play a central role in ensuring it goes into operation smoothly and work to expand its business in the future.

In the advanced semiconductors sector, we will increase our development, production and sales of liquid and film packaging materials with a view to expanding our global market.

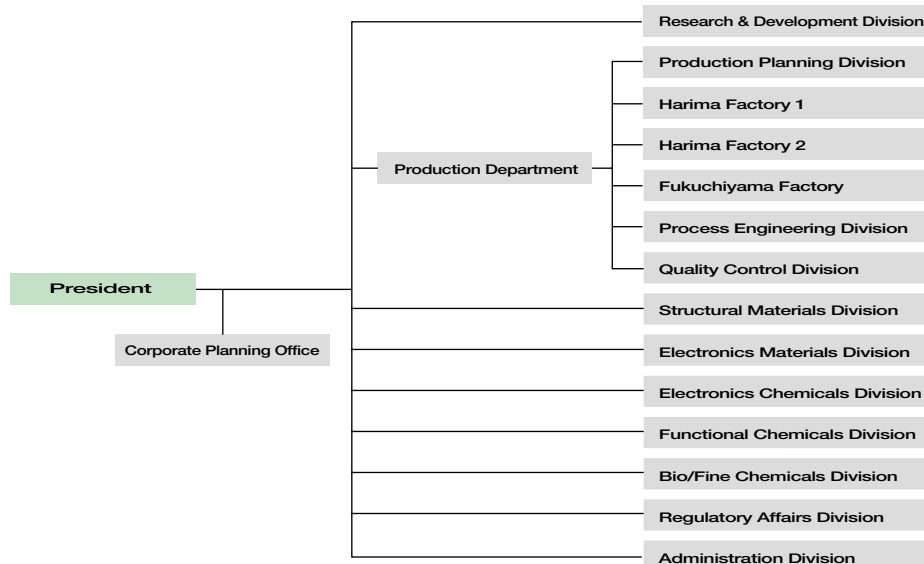
We will also promote the development of a number of new materials for the promising growth areas of electronics and optoelectronics. In the process, we intend to make the most not only of the organic synthesis and formulation technologies that Group companies possessed before the merger, but also of the applications development capabilities Nagase possesses in electronics and optoelectronics, and its strong relationships with customers.

Largest Domestic Manufacturer of Formulated Epoxy Resins

We are Japan's largest domestic manufacturer of formulated epoxy resins. In addition to the electrical and electronics sectors, we are expanding our operations into areas ranging from tooling to construction and civil engineering. In particular, the new corrosion-resistant materials for concrete lining that we have developed for use in construction and civil engineering has been very well-received. As orders for corrosion-resistant covering work will be altered to performance-based orders in the future, we anticipate substantial growth in demand for a new ultra-corrosion-resistant epoxy lining material (trade name DENACOAT), which was recently launched on the market. In response, we acquired marketing rights in the area of formulated epoxy resins from Nihon Polymer Co., Ltd., a subsidiary of Asahi Kasei Corporation, in May 2002. Using the products and technologies accumulated by Nihon Polymer and its network of agents and construction contractors, we intend to strengthen and expand our lining materials business, including our own products.

Plans for the construction of a formulated epoxy resin production plant in China will also go ahead in fiscal 2003, and we plan to start supplying Chinese electrical machinery manufacturers and others with products from early in fiscal 2005.

When the four companies were merged, our objective was to fuse their technologies and expertise, and to engage in selective, focused investment for the future. We also aimed to strengthen human networking with related business groups at Nagase and the Nagase R&D Center. As the above shows, we have gone a long way to achieving these goals and believe we have at last established a framework that allows us to compete in the increasingly competitive global market. We are approaching the stage when the fruits of our investments will begin to emerge, and intend to fulfill your expectations by developing our businesses hand in hand with the global expansion of the Nagase Group.



Nagase ChemteX Corporation's Organization

② Integrated System for Contract Research and Development Established with Nagase R&D Center at its Core

The Linchpin of R&D in the Nagase Group

Since its inauguration in 1990, the Nagase R&D Center's policy has been to serve as the driving force behind R&D in the Nagase Group through the 21st century. As such, it has been engaged in process research and development, using microorganisms and enzymes for the manufacture of pharmaceutical intermediaries and other fine chemical products. The R&D Center focuses in particular on developing technologies for converting existing substances into high value-added products and, through the Nagase

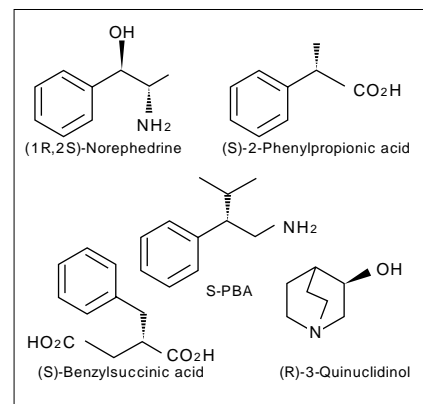
Group's network, has successfully met the needs of various customers while acquiring many patents for processes used in manufacturing fine chemicals.

The R&D Center plays an important role in strengthening the organic synthesis and biotechnologies (production and application of various enzymes) possessed by Nagase ChemteX. It has also established an integrated system that allows it to both assess the market value of Nagase's pharmaceutical intermediaries and electronics materials and to develop new products and manufacturing processes on a custom basis. At the core of the R&D Center's activities lie chiral technologies, which are used for producing optically active substances.



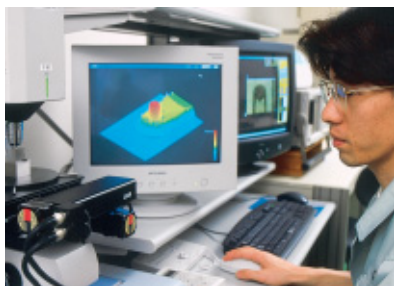
Leveraging Expertise in Chiral Technology

Chiral technologies encompass the fields of organic synthesis and biotechnology. They are currently the focus of global attention as manufacturing technologies indispensable to the production of pharmaceutical intermediaries. Right from the start, the R&D Center has devoted itself to exploring chiral technologies, and has a successful track record in all three basic techniques — optical resolution, asymmetric synthesis, and the biocatalytic method. In particular, the R&D Center has received acclaim for being at the cutting edge of research in the enzyme method, which is very much in the limelight as an effective means of addressing environmental issues. Based on the technological capabilities of the R&D Center, (S) ibuprofen, an anti-inflammatory drug, is being produced through optical resolution in India and supplied to Europe and Asia. The R&D Center is also using its wide array of enzymes and other biocatalysts to offer formulations that meet the demands of the times from the perspective of green chemistry. In this way, the R&D Center's technology base enables us to respond precisely to various customer needs, ranging from procurement of the raw materials and intermediates used in optically active substances to their process development and manufacture.



Development projects at the R&D Center

③ Nanotechnology-related Business



With an eye on the promising next-generation field of nanotechnology, we have started new business marketing activities in cooperation with one of our Group companies, Cluster Technology Co., Ltd. The microfabrication technology of Cluster Technology is used in inkjet printers, but its elemental technology for dispensing microscopic amounts of solution and ejecting droplets with great positional accuracy has made a significant contribution to resolving a number of technological issues at the nano scale.

In December 2000 we started employing this inkjet ejection method in the development of “DNA microarray” manufacturing systems for use in the medical field. We also have high expectations that the inkjet device technology we have accumulated in this field will find useful applications in the manufacture of organic LEDs in the Electronics business.

DNA Microarray Spotter (High Performance DNA Microarray Printing Technology)

By applying inkjet methods, we developed an inkjet DNA microarray spotter that dispenses minute spotting at one-tenth conventional levels with a liquid that contains DNA instead of ink. With this technology, the spotting amount has been improved along with the uniformity and reproducibility of the form. The technology has also made possible the mass production of high precision DNA microarrays. By combining nano level hybrid compounds and microfabrication technology, we are also developing nano-biodesigns, which are receiving considerable attention in the post-genome era.

Resolving Technical Issues Involved in Creating Full-color Organic LEDs

This elemental inkjet printer technology can also be applied to resolving patterning technology issues arising in the manufacture of organic LEDs. Originally, one of the problems hindering their commercialization was that of enabling pico-level droplets to reach the target surface with sufficient positional accuracy. Enabling the droplets to reach the desired target positions required the creation of banks (partitions), which also had to be made water-repellent. Although the resulting organic LEDs emitted light, inconsistencies in the luminance of individual dots made the displays uneven.

We are developing key devices and systems for inkjet devices in an attempt to resolve these technological problems.



Inking an agreement to enter a business alliance with Cluster Technology
(At right: Minoru Adachi, President of Cluster Technology)

Cluster Technology Co., Ltd.

1991: Company established (Nagase has a 20% equity interest)

2001: R&D approval under the Small and Medium Enterprise Creative Activity Promotion Law. Selection for METI subsidies for the development of IT, and for the cost of developing IT leading to the creation of new business.

4 Activities of Nagase Science and Technology Foundation

The Nagase Science and Technology Foundation was established in April 1989 to support scientific and technological development in fields such as biochemistry and organic chemistry. The mission of the foundation is to contribute to socio-economic development by providing grants and other support for research and development and international exchange activities. To date it has provided approximately ¥610 million in aid in the form of 221 research grants and 175 international interchange projects.

The foundation is a specific juridical person for the promotion of the public interest and its chartering agency is the Ministry of Education, Culture, Sports, Science and Technology.



Fiscal 2003 grant presentation ceremony

Research grants provided in fiscal 2003

Name	Present office/Position	Subject matter
Biochemistry		
Yugo Iwasaki	Graduate School of Bioagricultural Sciences, Nagoya University/Lecturer	Asymmetric synthesis of structured lipids by enzymes.
Yoshiyuki Kamio	Graduate School of Agricultural Science Tohoku University/Professor	Role of the an iron-binding protein, Dpr in oxygen tolerance in the living cells
Akiko Kita	Graduate School of Science, Kyoto University/Research Associate	Structural Biology of the Oxidative Response Regulation Protein, SoxR.
Atsushi Shiraiishi	Faculty of Human Environmental Science, Fukuoka Women's University/Associate Professor	Studies on the functional polymer composites comprised of the ordered-molecular and multi phase structures based on poly (-glutamic acid) and poly (-L-lysine)
Kenji Sugimoto	Graduate School of Agriculture and Biological Sciences Osaka Prefecture University/Professor	Visualization of subcellular structures in living cells and its application to re-evaluating bioactive substances
Masaya Nagao	Graduate School of Biostudies Kyoto University/Professor	Protection of neuronal cell death by a technique for introducing exogenous proteins into cells.
Kazunobu Matsushita	Yamaguchi University, Faculty of Agriculture/ Professor	A novel pellicle polysaccharide of Acetobacter aceti and its biochemical and molecular biological study on the pellicle formation
Organic chemistry		
Kazuo Akagi	Institute of Materials Science, University of Tsukuba/Professor	Development of Chiral Luminescent Materials based on Helical Liquid Crystalline Conjugated Polymers
Hiroshi Imahori	Graduate School of Engineering, Kyoto University/Professor	Development of Gold Nanoclusters Modified with Photofunctional Molecules
Junichi Uenishi	Kyoto Pharmaceutical University/ Professor	Stereocontrolled Synthesis of Carbon-conjugated Alkenes and Stereoselective Preparation of Retinoids
Shigetomi Kuwahara	Graduate School of Agricultural Science, Tohoku University/Professor	Synthetic studies on bioactive natural products related to the control of agricultural ecosystem
Masaya Sawamura	Faculty of Science, Hokkaido University/ Professor	Synthesis and Applications of Trans-Chelating Phosphine Ligands with Porphirin Scaffold
Kazuhiko Takai	Faculty of Engineering, Okayama University/ Professor	Development of Novel Synthetic Methods with Chromium(II) for Stereoselective Construction of Carbon Skeletons
Junzo Nokami	Okayama University of Science/ Professor	Development of a Convenient Asymmetric Carbon-Carbon Bond Formation Reaction
Chisato Mukai	Faculty of Pharmaceutical Sciences, Kanazawa University/Professor	Development of Highly Efficient Method for Construction of Heterocycles Based on Endo Mode Cyclization of Allenes

International interchange projects supported in fiscal 2003

Name	Present office/Position	Subject matter
Kenjiro Onimura	Faculty of Engineering, Yamaguchi University/ Research associate	14th International Symposium on Chirality
Kazuo Takimiya	Department of Applied Chemistry, Graduate School of Engineering, Hiroshima University/ Research associate	International Symposium on Functional -Electron Systems
Etsuji Okada	Faculty of Engineering, Kobe University/ Associate Professor	Development of Highly Efficient Synthetic Methods for Novel Biologically Active Heterocyclic Compounds Containing Fluorine Atoms
Atsuhiko Osuka	Department of Chemistry, Graduate School of Science, Kyoto University/ Professor	Jeremy Keith Morris Sanders/Professor Second International Conference on Porphyrins and Phthalocyanines
Tetsuya Kamataki	Graduate School of Pharmaceutical Sciences, Hokkaido University/ Professor	Fred F. Kadlubar/Director 14th International Symposium on Microsomes and Drug Oxidations
Naotaka Kuroda	School of Pharmaceutical Sciences, Nagasaki University/ Professor	Susan M. Lunte/Associate Professor 123rd Annual Meeting of the Pharmaceutical Society of Japan
Keisuke Suzuki	Tokyo Institute of Technology/ Professor	Stefan Matile/Associate Professor The 2nd Tateshina Conference on Organic Chemistry

5 Tackling Environmental Issues

Environment Policies

Based on our management philosophy, we have formulated policies for preserving the global environment and are working to put them into practice.

1. Comply with all environmental laws and regulations
2. Develop businesses that give full consideration to environmental issues
3. Fulfill our responsibilities as a good corporate citizen
4. Establish and continuously improve an environmental management system
5. Disclose and make all relevant parties fully aware of our Environmental Policy

Acquiring ISO14001 Certification

In May 1999, we established the Environment Protection Committee, formulating our environmental policies following an inaugural announcement from our President in July 1999. Since then, the entire company has been engaged in environmental preservation activities, including the creation of our own environmental management system.

On April 28, 2000, we received ISO14001 certification, the international standard for environmental management, from Lloyd's Register Quality Assurance Limited. The certification applies to all the offices of our Tokyo and Osaka headquarters, the Nagoya branch, and the R&D Center. We are presently continuing to work to protect and improve the environment and contribute to society as a whole.

Eco-business

Based on our corporate philosophy of adopting an "Environmentally-friendly Approach to Business," we aim to contribute to environmental preservation through the expansion and creation of "eco-businesses." The direct impact of our business activities on the environment is limited compared with the manufacturing industries. Nevertheless, we make a particular effort to utilize our strengths as a technology and information company, actively offering information pertaining to the safety of chemical products (ASP services conforming to the PRTR Law, sales of environment-related applications, etc.), information for achieving zero emissions (chemical recovery and regeneration systems, waste solvent recovery systems, etc.), and eco-materials, equipment and systems that will reduce the burden on the environment.

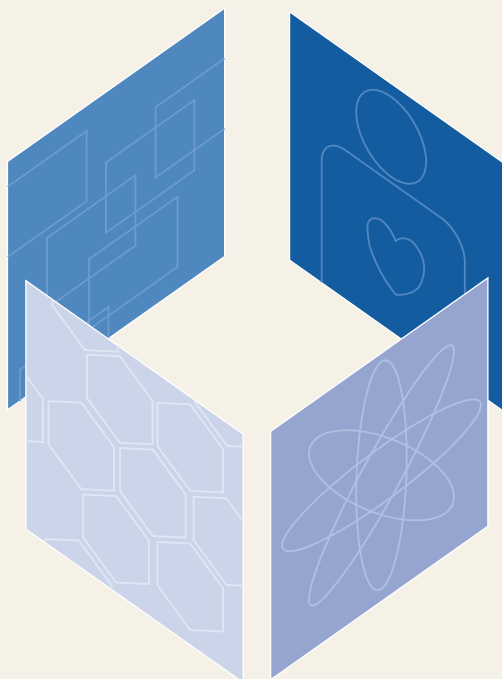
Key Projects

- Development of New Environmentally-friendly Wooden Materials
- Support for Plastic Recycling
- Proposals for Eco-materials
- Proposals for Alternatives to Toxic Substances
- Support for Zero Emissions
- Developing Business Models for Recycling Resources
- Providing Information on Chemical Safety
- Chemical Research Concerning Environmental Problems



Please visit our Web site for further information about our environmental preservation activities.

<http://www.nagase.co.jp/iso/english/index.html>



Financial Section

Financial Review	30
Consolidated Balance Sheets	32
Consolidated Statements of Operations	34
Consolidated Statements of Shareholders' Equity	35
Consolidated Statements of Cash Flows	36
Notes to Consolidated Financial Statements	37
Report of Independent Certified Public Accountants	47

Financial Review

Group Results

During the consolidated fiscal year under review, Japan's economy experienced a decline in private capital investment as corporate earnings deteriorated, while consumer spending remained weak under the impact of continuing high unemployment rates and stagnating personal income. As was the case last year, deflation continued to affect the Japanese economy and business conditions remained harsh.

Overseas, the US economy began to show signs of recovery in the second half of the fiscal year, while expectations of a recovery in the Asian and European economies have been rising. However, the impact of the IT recession originating in the United States was severe and the global economy overall remained weak throughout the year.

Under these conditions, total consolidated sales fell by ¥68.78 billion (12.3%) year-on-year to ¥490.58 billion owing to the slow domestic

economy and the consequences of the global IT recession. On a consolidated basis, domestic sales fell by ¥51.45 billion (13.1%) year-on-year to ¥341.1 billion, while overseas sales declined by ¥17.33 billion (10.4%) to ¥149.48 billion.

Gross profit declined by ¥8.1 billion (14.8%) year-on-year to ¥46.97 billion. Selling, general and administrative (SG&A) expenses fell by ¥2.08 billion to ¥45.3 billion. Operating income decreased by ¥6.07 billion to ¥1.67 billion, including a non-consolidated operating loss of ¥0.9 billion for Nagase & Co., Ltd.

Nagase also reported an extraordinary loss for the term of ¥8.83 billion. Loss on devaluation of investments in securities accounted for ¥6.72 billion of this amount. Special retirement allowances of ¥1.7 billion were posted owing to the introduction of a voluntary early retirement program. As a result, the net loss for the term came to ¥2.09 billion.

Results by Business Segments

Chemicals:

In the Chemicals business, the pharmaceutical raw materials and pharmaceutical intermediates segments of reporting companies performed strongly, but the economic slowdown at home and overseas affected sales of pigments, paints, plastics raw materials and electronics-related chemicals, causing consolidated sales overall to fall below the levels recorded in the preceding fiscal year.

Sales of the Chemicals business of Nagase ChemteX Corp. were lower than in the preceding consolidated fiscal year because of stagnating sales of enzymes and specialty chemicals. Nagase Colors & Chemicals Co., Ltd. also recorded lower sales year-on-year because of the sluggish performance of the domestic textiles industry. Nagase (Thailand) Co., Ltd. performed well thanks to expanded sales of urethane plastics raw materials and other products. Nagase America Corp. also put in a strong performance on the back of growth in sales of food additives.

As a result, sales fell by ¥19.34 billion (8.1%) to ¥218.52 billion compared with the preceding consolidated fiscal year. Consolidated operating income fell by ¥721 million (23.4%) year-on-year to ¥2.35 billion.

Plastics:

In the Plastics business, reporting companies revealed that the automobile-related sectors and sales of Group company products were buoyant. Under the impact of the IT recession, however, exports of plastics to manufacturers of electrical machinery and information-devices declined, while the transfer of domestic selling rights for General Electric products led to lower domestic sales of plastics, resulting in a decline compared with the preceding consolidated fiscal year.

Nagase Plastics Co., Ltd. also posted lower sales year-on-year as market conditions remained weak due to competition from imports. Although Kotobuki Industries Co., Ltd. performed well, the recession in the construction and real estate industries and in office automation and consumer electronics resulted in substantial year-on-year declines for Totaku Industries, Inc. and Setsunan Kasei Co., Ltd. Nagase Singapore (Pte) Ltd. and Nagase Wahlee Plastics Corp. both posted considerably lower sales than in the preceding consolidated fiscal year owing to weak demand for plastics in the electrical machinery and information devices sectors. Nagase (Hong Kong) Ltd. boosted its sales as a result of shifting its production centers for electrical machinery and information devices to China. Canada Mold Technology Inc. improved its sales of molds for automobiles in Canada.

As a result, sales fell by ¥30.2 billion (14.7%) to ¥175.25 billion compared with the preceding consolidated fiscal year. The operating loss totaled ¥1.15

billion, an earnings decline of ¥4.14 billion compared with the preceding consolidated fiscal year.

Electronics:

In the Electronics business, reporting companies disclosed sales growth in communications component modules and image processing devices. However, demand for PCs, mobile phones and information devices fell sharply, causing a sharp decline in LCD unit sales prices. This, and slumping sales of parts and materials for mobile phones, fluororesins and encapsulation materials resulted in lower sales compared with the preceding consolidated fiscal year.

The Electronics business of Nagase ChemteX Corp. was buoyant thanks to sales of epoxy resins for the heavy electrical equipment sector and LCD manufacturing chemicals. Despite this, epoxy resins for semiconductors and chemicals for use in semiconductor manufacturing declined sharply, resulting in lower sales year-on-year. Hoei Sangyo Co., Ltd.'s video media-related business did well, but its results were flat year-on-year as a result of stagnation in the equipment systems and software segments. Nagase Electronic Equipment Service Co., Ltd. transferred a portion of its business to Nagase CMS Technology Co., Ltd. a newly established subsidiary, causing sales to fall sharply compared with the preceding fiscal year.

As a result, sales fell by ¥19.72 billion (19.1%) year-on-year to ¥83.66 billion. Consolidated operating income fell by ¥1.23 billion (79.8%) year-on-year to ¥313 million.

Health Care & Others:

In the Health Care business, reporting companies declared a year-on-year decline in sales of cosmetics through door-to-door sales, but sales of health and beauty foods rose, as did sales of medical information equipment-related products.

The door-to-door sales business felt the consequences of stagnant business conditions in the form of lower market prices and deteriorating consumer spending, which lead to weak sales of cosmetics. Nevertheless, health foods grew as a result of growing health-consciousness and the launch of "New Belmash." In the medical information equipment-related segment, our focus on expanding sales of infectious disease prevention systems and bacteria test devices paid off in solid results.

As a result, sales rose by ¥488 million (3.9%) compared with the preceding consolidated fiscal year to ¥13.14 billion. Consolidated operating income increased by ¥26 million (20.4%) year-on-year to ¥157 million.

Results by Geographical Segments

Japan:

The return to General Electric of sales rights in the plastic business and the overall weakness of the Japanese economy caused net sales to decline by ¥66.81 billion (14.3%) compared with the preceding consolidated fiscal year to ¥399.72 billion. As a result, the operating loss amounted to ¥785 million.

Asia:

Although some new products sold well in the China market, the sharp downturn in demand for IT-related products led to a year-on-year decline in net sales of ¥1.66 billion (2.2%) to ¥73.28 billion. Consolidated operating income fell by ¥1.37 billion (39.6%) year-on-year to ¥2.09 billion.

North America:

As a result of robust sales of pharmaceutical raw materials and pharmaceutical and agrochemical intermediates, net sales rose by ¥41 million (0.4%) compared with the preceding fiscal year to ¥10.67 billion. Consolidated operating income increased by ¥61 million (83.5%) year-on-year to ¥136 million.

Other Regions:

Although net sales fell by ¥352 million (4.9%) year-on-year to ¥6.9 billion, a review of the operating structure in Europe resulted in operating income of ¥58 million, an increase of ¥149 million compared with the preceding consolidated fiscal year.

Cash Flows

During the fiscal year under review, consolidated cash and cash equivalents climbed by ¥3.49 billion (18.9%) year-on-year to ¥21.96 billion.

Cash Flow from Operating Activities:

During the fiscal year under review, consolidated cash and cash equivalents from operating activities climbed by 51.3% year-on-year to ¥12.35 billion. This was due to the fact that even though the Company posted a net loss of ¥2.94 billion and notes and accounts payable fell by ¥28.28 billion, trade receivables declined by ¥33.11 billion and inventories by ¥5.97 billion. In addition, adjustments were made to treat the ¥6.72 billion arising from loss on devaluation of investments in securities as non-funding costs.

Cash Flow from Investing Activities:

During the fiscal year under review, consolidated cash and cash equivalents

from investing activities fell by 68.7% year-on-year to ¥1.3 billion. Outlays on acquisitions of investments in securities amounted to ¥1.85 billion, and if outlays on acquisitions of stocks in subsidiaries following changes in the scope of consolidation during the preceding consolidated fiscal year are taken into consideration, the decline amounts to 77.0% year-on-year. Collections of short-term loans receivable amounting to ¥1.12 billion also played a role.

Cash Flow from Financing Activities:

During the fiscal year under review, consolidated cash and cash equivalents from financing activities fell by 3.7% year-on-year to ¥8.61 billion. This was due to a net decline of ¥6.25 billion in short-term loans and outlays of ¥2.94 billion on purchases of treasury stock.

R&D Activities

The Nagase Group (Nagase and its consolidated subsidiaries) is focusing its all-round group strengths into research and development activities aimed at developing new products and distributing its technical information.

Currently, the Nagase R&D Center and the research and development departments of its manufacturing subsidiaries are engaged in development activities. Trading company activities such as the Chemicals and Health Care businesses are moving apace, as are R&D activities and technical information evaluations related to new technologies and new products in the areas of

organic chemistry and biotechnology. These two areas are especially in line with our future vision for our manufacturing subsidiaries. We have placed particular emphasis on pharmaceutical synthesis technologies, especially applications of chiral synthesis technology for provision to customers. Already, we have commercialized some products that make use of this technology, and intend in the future to offer R&D functions that transcend the framework of the trading company. During the consolidated fiscal year under review, research and development expenditures totaled ¥2.05 billion.

Assets

At the end of the consolidated fiscal year under review, total assets amounted to ¥300.07 billion, a year-on-year decline of ¥53.7 billion, or 15.2%.

Current assets fell by ¥40.2 billion (16.3%) compared with the preceding fiscal year-end to ¥206.06 billion as a result of a decline in notes and

accounts receivable.

Fixed assets declined by ¥13.49 billion (12.6%) year-on-year to ¥94.01 billion as the Company reduced its investments in securities due to the impact of falling market values.

Liabilities

At the end of the consolidated fiscal year under review, total liabilities amounted to ¥152.15 billion, a year-on-year decline of ¥44.23 billion, or 22.5%.

Current liabilities fell by ¥38.17 billion (22.7%) compared with the preceding fiscal year-end to ¥129.96 billion as a result of a decline in notes and

accounts payable.

Fixed liabilities fell by ¥6.06 billion (21.5%) year-on-year to ¥22.18 billion as a result of a decline in deferred income taxes.

Shareholders' Equity

Shareholders' equity at the end of the consolidated fiscal year under review fell by ¥9.32 billion (6.1%) year-on-year to ¥144.17 billion as a result of the

net loss posted for the term, the purchase and retirement of treasury stocks, and a decline in unrealized holding gains on securities.

Consolidated Balance Sheets

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2002 and 2001

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current assets:			
Cash and cash equivalents	¥ 21,960	¥ 18,465	\$ 164,803
Short-term investments (Note 5)	1,336	2,939	10,026
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	6,592	8,288	49,470
Trade	144,730	176,330	1,086,153
Other	988	1,473	7,414
Less allowance for doubtful receivables	(1,579)	(1,179)	(11,849)
	150,732	184,912	1,131,196
Inventories	25,545	34,180	191,707
Deferred income taxes (Note 8)	2,386	1,886	17,906
Other current assets	4,099	3,886	30,761
Total current assets	206,062	246,268	1,546,431
Property, plant and equipment:			
Land (Note 5)	9,545	7,968	71,632
Buildings and structures	25,705	24,875	192,908
Machinery and equipment	26,361	28,047	197,831
Construction in progress	5	211	37
	61,618	61,101	462,424
Less accumulated depreciation	(36,389)	(36,370)	(273,088)
Property, plant and equipment, net	25,228	24,731	189,328
Investments and other assets:			
Investments in securities (Notes 3 and 5):			
Unconsolidated subsidiaries and affiliates	12,159	11,172	91,249
Other	51,412	65,252	385,831
	63,572	76,424	477,088
Long-term loans receivable	424	315	3,181
Deferred income taxes (Note 8)	434	749	3,257
Other assets	4,478	5,802	33,606
Less allowance for doubtful accounts	(126)	(512)	(945)
Total investments and other assets	68,782	82,778	516,187
	¥ 300,073	¥ 353,777	\$ 2,251,954

See notes to consolidated financial statements.

Liabilities and shareholders' equity

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Current liabilities:			
Short-term loans (Note 4)	¥ 7,949	¥ 13,275	\$ 59,654
Current portion of long-term debt (Note 4)	1,782	727	13,373
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	3,554	2,192	26,671
Trade	102,045	132,146	765,816
	105,599	134,338	792,487
Accrued income taxes (Note 8)	563	4,615	4,225
Deferred income taxes (Note 8)	12	—	90
Accrued expenses	5,261	6,062	39,482
Other current liabilities	8,797	9,125	66,018
Total current liabilities	129,966	168,142	975,354
Long-term liabilities:			
Long-term debt (Note 4)	9,945	9,876	74,634
Deferred income taxes (Note 8)	2,014	7,847	15,114
Accrued retirement benefits for employees (Note 7)	9,266	9,232	69,538
Accrued retirement benefits for officers	929	1,261	6,971
Other liabilities	32	37	240
Total long-term liabilities	22,188	28,253	166,514
Minority interests	3,741	3,883	28,075
Contingent liabilities (Note 11)			
Shareholders' equity:			
Common stock:			
Authorized:			
346,980,000 shares and 347,509,000 shares at March 31, 2002 and 2001, respectively			
Issued:			
2002 - 138,408,285 shares	9,699	—	72,787
2001 - 138,937,285 shares	—	9,700	—
Additional paid-in capital (Note 6)	9,634	9,635	72,300
Retained earnings (Note 6)	114,870	118,337	862,063
Unrealized holding gain on securities	11,690	16,211	87,729
Translation adjustments	963	(383)	7,227
Less treasury stock, at cost	(2,682)	(1)	(20,127)
Total shareholders' equity	144,176	153,499	1,081,996
	¥ 300,073	¥ 353,777	\$ 2,251,954

Consolidated Statements of Operations

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Net sales (Note 12)	¥ 490,583	¥ 559,373	\$ 3,681,673
Cost of sales (Note 9)	443,607	504,233	3,329,133
Gross profit	46,976	55,140	352,540
Selling, general and administrative expenses (Note 9)	45,302	47,388	339,977
Operating income (Note 12)	1,673	7,752	12,555
Other income (expenses):			
Interest and dividend income	1,948	1,959	14,619
Interest expense	(623)	(815)	(4,675)
Equity in earnings of affiliates	276	375	2,071
Gain on sales of investments in securities	1,112	3,972	8,345
Gain on marketable securities contributed to employees' retirement benefit trust	—	1,870	—
Loss on devaluation of investments in securities	(6,720)	(124)	(50,431)
Gain on sales of property and equipment	37	1,519	277
Amortization of net retirement benefit obligation at transition	—	(6,984)	—
Other, net	(654)	(171)	(4,908)
(Loss) income before income taxes and minority interests	(2,949)	9,353	(22,131)
Income taxes (Note 8):			
Current	1,758	6,527	13,193
Deferred	(2,807)	(2,506)	(21,065)
(Loss) income before minority interests	(1,900)	5,332	(14,258)
Minority interests	197	386	1,478
Net (loss) income	¥ (2,097)	¥ 4,946	\$ (15,737)
		(Yen)	(U.S. dollars) (Note 1)
Amounts per share of common stock:			
Net (loss) income	¥ (15.39)	¥ 35.28	\$ (0.11)
Cash dividends	8.00	8.00	0.06

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Number of shares of common stock	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2000	141,537,285	¥ 9,700	¥ 9,635	¥ 115,504	¥ —	¥ —	¥ (1)
Net income for the year	—	—	—	4,946	—	—	—
Increase in retained earnings resulting from merger of unconsolidated subsidiaries	—	—	—	338	—	—	—
Cash dividends	—	—	—	(1,132)	—	—	—
Bonuses to officers	—	—	—	(62)	—	—	—
Unrealized holding gain on securities	—	—	—	—	16,211	—	—
Translation adjustments	—	—	—	—	—	(383)	—
Retirement of treasury stock	(2,600,000)	—	—	(1,257)	—	—	—
Balance at March 31, 2001	138,937,285	¥ 9,700	¥ 9,635	¥ 118,337	¥ 16,211	¥ (383)	¥ (1)
Net loss for the year	—	—	—	(2,097)	—	—	—
Increase in retained earnings resulting from merger of consolidated subsidiaries	—	—	—	86	—	—	—
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries	—	—	—	(23)	—	—	—
Cash dividends	—	—	—	(1,111)	—	—	—
Bonuses to officers	—	—	—	(54)	—	—	—
Unrealized holding gain on securities	—	—	—	—	(4,519)	—	—
Translation adjustments	—	—	—	—	—	1,346	—
Increase in treasury stock	—	—	—	—	—	—	(2,681)
Retirement of treasury stock	(529,000)	—	—	(266)	—	—	—
Balance at March 31, 2002	138,408,285	¥ 9,699	¥ 9,634	¥ 114,870	¥ 11,690	¥ 963	¥ (2,682)

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Unrealized holding gain on securities	Translation adjustments	Treasury stock
Balance at March 31, 2001	\$ 72,795	\$ 72,307	\$ 888,082	\$ 121,658	\$ (2,874)	\$ (7)
Net loss for the year	—	—	(15,737)	—	—	—
Increase in retained earnings resulting from merger of consolidated subsidiaries	—	—	645	—	—	—
Decrease in retained earnings resulting from exclusion of consolidated subsidiaries	—	—	(172)	—	—	—
Cash dividends	—	—	(8,337)	—	—	—
Bonuses to officers	—	—	(405)	—	—	—
Unrealized holding gain on securities	—	—	—	(33,913)	—	—
Translation adjustments	—	—	—	—	10,101	—
Increase in treasury stock	—	—	—	—	—	(20,120)
Retirement of treasury stock	—	—	(1,996)	—	—	—
Balance at March 31, 2002	\$ 72,787	\$ 72,300	\$ 862,063	\$ 87,729	\$ 7,227	\$ (20,127)

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Nagase & Co., Ltd. and Consolidated Subsidiaries
Years ended March 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	2002
Operating activities			
Net (loss) income	¥ (2,097)	¥ 4,946	\$ (15,737)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	2,888	2,966	21,673
Provision for retirement benefits, net of payments	247	4,541	1,853
Loss (gain) on sales of property and equipment	15	(1,478)	112
Equity in earnings of affiliates	(276)	(375)	(2,071)
Gain on sales of investments in securities	(1,075)	(3,802)	(8,067)
Gain on marketable securities contributed to employees' retirement benefit trust	—	(1,870)	—
Loss on devaluation of investments in securities	6,720	124	50,431
Other, net	(173)	874	(1,298)
Changes in operating assets and liabilities:			
Notes and accounts receivable	33,112	(2,342)	248,495
Inventories	5,974	(5,781)	44,833
Other current assets	1,248	401	9,365
Notes and accounts payable	(28,287)	7,118	(212,285)
Accrued income taxes	(5,174)	2,894	(38,829)
Accrued expenses	(800)	(97)	(6,003)
Other current liabilities	31	46	232
Net cash provided by operating activities	12,351	8,165	92,690
Investing activities			
Purchases of property and equipment	(3,993)	(3,593)	(29,966)
Proceeds from sales of property and equipment	156	2,046	1,170
Purchases of investments in securities	(1,858)	(5,185)	(13,943)
Proceeds from sales of investments in securities	1,800	6,119	13,508
Purchases of shares of subsidiaries	—	(2,896)	—
Decrease (increase) in short-term loans receivable, net	1,122	(270)	8,420
Other, net	1,471	(383)	11,039
Net cash used in investing activities	(1,300)	(4,162)	(9,756)
Financing activities			
Decrease in short-term loans, net	(6,255)	(6,830)	(46,941)
Proceeds from long-term debt	3,054	1,186	22,919
Repayment of long-term debt	(1,101)	(271)	(8,262)
Cash dividends paid	(1,370)	(1,883)	(10,281)
Purchases of treasury stock	(2,948)	(1,257)	(22,123)
Other, net	5	748	37
Net cash used in financing activities	(8,615)	(8,307)	(64,652)
Effect of exchange rate changes on cash and cash equivalents	1,318	1,073	9,891
Net increase (decrease) in cash and cash equivalents	3,753	(3,231)	28,165
Cash and cash equivalents at beginning of the year	18,465	21,016	138,574
Increase in cash and cash equivalents arising from merger of unconsolidated subsidiaries	—	680	—
Decrease in cash and cash equivalents arising from exclusion of consolidated subsidiaries	(368)	—	(2,761)
Increase in cash and cash equivalents arising from merger of consolidated subsidiaries	110	—	825
Cash and cash equivalents at end of the year	¥ 21,960	¥ 18,465	\$ 164,803
Supplemental information on cash flows			
Cash paid during the year for:			
Interest	619	822	4,645
Income taxes	¥ 6,932	¥ 3,634	\$ 52,022

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nagase & Co., Ltd. and Consolidated Subsidiaries
March 31, 2002

1. Basis of Preparation

Nagase & Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account and records in accordance with the provisions set forth in the Commercial Code of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan. Its foreign consolidated subsidiaries maintain their books 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 may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 form which is more familiar to readers outside Japan.

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 the rate of ¥133.25 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2002. This translation should not be construed as a representation that 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.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2001 to the 2002 presentation. Such reclassifications had no effect on consolidated net income or shareholders' equity.

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen for the year ended March 31, 2002 have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements for the year ended March 31, 2002 (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 controlled directly or indirectly by the Company. 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 foreign consolidated subsidiaries have a December 31 year-end date and one domestic consolidated subsidiary has its year end at the end of February, closing dates which differ 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 the net assets of the subsidiary 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 the net assets of the affiliate is amortized over a period of five years on a straight-line basis.

(b) Foreign Currency Translation

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 foreign 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. Translation adjustments resulting from translating foreign currency financial statements 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 consolidated financial statements.

Effective April 1, 2000, the Company and the consolidated subsidiaries adopted a revised "Accounting Standard for Foreign Currency Translation" issued by the Business Accounting Deliberation Council of Japan. Under this standard, all monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate 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 forward exchange contracts 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. The effect of the adoption of the revised standard on the consolidated financial statements for the year ended March 31, 2001 was immaterial.

(c) Inventories

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

(d) Investments in Securities

Through March 31, 2000, marketable securities were stated principally at the lower of cost or market, cost being determined by the moving average method, and investments in securities other than marketable securities were stated at cost determined by the moving average method.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries adopted "Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. This standard requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities.

Notes to Consolidated Financial Statements

In accordance with the new standard, 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, 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.

As of April 1, 2000, the Company and its consolidated subsidiaries assessed their intent in holding their investments in securities, classified their investments at March 31, 2001 as "other securities," and accounted for the securities in accordance with the standard referred to above.

Golf club memberships

This new accounting standard for financial instruments also applies to golf club memberships. A loss on the impairment of deposits for golf club memberships is also required to be recognized.

The effect of the adoption of this standard on the consolidated statement of income for the year ended March 31, 2001 was to increase income before income taxes and minority interests by ¥1,274 million.

(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 by the Corporation Tax Law, except that the straight-line method is applied to buildings (except for 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 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 for temporary differences between the financial reporting and tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Such deferred income tax asset and liability computations are based on the enacted tax laws.

(h) Retirement Benefits

The Company and the domestic consolidated subsidiaries have defined benefit pension plans and retirement benefit plans. Certain foreign consolidated subsidiaries also have defined benefit plans.

The employees' retirement benefit plans provide for a lump-sum payment determined by reference to the current rate of pay, length of service and conditions under which the termination occurs.

For the year ended March 31, 2000, the liability for retirement allowances was stated at the amount which would be required to be paid if all employees covered by the plan involuntarily terminated their employment at the Company's request as of the balance sheet date, less the amount covered by the pension plan.

Effective April 1, 2000, the Company and the domestic consolidated subsidiaries adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. In accordance with this standard, accrued retirement benefits were provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year. The net retirement benefit obligation at transition of ¥6,984 million was fully charged to income for the year ended March 31, 2001.

In connection with the adoption of this standard, the Company contributed its own securities to an employees' retirement benefit trust. In forming the trust and contributing its marketable securities, the Company recognized gain of ¥1,870 million arising from the valuation of the marketable securities contributed. This was reported in the consolidated statement of operations for the year ended March 31, 2001 as "Gain on marketable securities contributed to employees' retirement benefit trust."

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over ten years, which is within the estimated average remaining years of service of the eligible employees.

Prior service cost is being amortized as incurred by the straight-line method over three years, which is within the estimated average remaining years of service of the eligible employees. For the year ended March 31, 2002, prior service cost incurred since the pension plan of the Company was amended in accordance with an amendment to the Employee's Pension Insurance Law.

The effect of the adoption of this standard for retirement benefits was to decrease income before income taxes and minority interests for the year ended March 31, 2001 by ¥5,186 million from the amount which would have been recorded under the method applied in the previous year.

Directors and statutory auditors ("officers") of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under unfunded retirement benefit plans. Provision for retirement benefits for these officers has been made at estimated amounts based on the applicable internal rules.

(i) Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company and consolidated subsidiaries principally in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates. The Company has established a control environment which includes policies and procedures for risk assessment in accordance with the Company's rules for in-company foreign exchange 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 by verifying the approval, reporting and monitoring of all transactions involving derivatives. The Company and consolidated subsidiaries do not hold or issue derivative financial instruments for speculative trading purposes.

The Company and consolidated subsidiaries are exposed to certain market risks arising from their forward foreign exchange contracts. The Company and consolidated subsidiaries 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.

In accordance with a new accounting standard for financial instruments which became effective April 1, 2000, derivative financial instruments 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 liability.

(j) Amounts Per Share

The computation of net (loss) income per share is based on the weighted average number of shares of common stock outstanding during each year.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

3. Investments in Securities

(a) Marketable securities classified as other securities at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen				
	2002				
	Other securities				
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)		
Market value available:					
Equity securities	¥ 25,720	¥ 20,275	¥ (146)	¥ 45,848	

	Millions of yen				
	2001				
	Other securities				
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)		
Market value available:					
Equity securities	¥ 32,061	¥ 29,110	¥ (1,144)	¥ 60,027	

	Thousands of U.S. dollars				
	2002				
	Other securities				
Cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)		
Market value available:					
Equity securities	\$ 193,020	\$ 152,157	\$ (1,095)	\$ 344,075	

(b) Securities whose market value was not available and were classified as other securities at March 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
	Carrying value		Carrying value
Market value not available:			
Equity securities	¥ 3,526	¥ 3,255	\$ 26,461
Bonds and debentures	2,037	2,000	15,287
	¥ 5,563	¥ 5,225	\$ 41,748

Notes to Consolidated Financial Statements

4. Short-Term Loans and Long-Term Debt

Short-term loans at March 31, 2002 and 2001 principally represented note, in the form of deeds, commercial paper and overdrafts due within

one year, at average annual interest rates of 1.72% and 3.76% per annum, respectively.

Long-term debt at March 31, 2002 and 2001 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Secured loans from banks, payable in yen, due through 2003 at rates from 1.84% to 1.94%	¥ 210	¥ 1,710	\$ 1,575
Unsecured loans from banks and insurance companies, payable in yen, due through 2011 at rates from 0.62% to 2.54%	4,518	1,893	33,906
1.53% unsecured bond, payable in yen, due 2004	7,000	7,000	52,532
	<u>11,728</u>	<u>10,603</u>	<u>88,015</u>
Less current portion	(1,782)	(727)	(13,373)
	<u>¥ 9,945</u>	<u>¥ 9,876</u>	<u>\$ 74,634</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2002 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
	2002	2002
2003	¥ 1,782	\$ 13,373
2004	1,523	11,429
2005	8,038	60,322
2006	78	585
2007	78	585
2008 and thereafter	227	1,703
	<u>¥ 11,728</u>	<u>\$ 88,015</u>

5. Pledged Assets

At March 31, 2002, assets pledged as collateral for short-term loans and long-term debt, including the current portion of long-term debt were as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Short-term investments	¥ 700	\$ 5,253
Land	7	52
Investments in securities	224	1,681
	<u>¥ 931</u>	<u>\$ 6,986</u>

At March 31, 2002, assets pledged as collateral to guarantee all transactions with certain customers were as follows:

	Millions of yen	Thousands of U.S. dollars
	2002	2002
Short-term investments	¥ 600	\$ 4,502
Investments in securities	2,533	19,009
	<u>¥ 3,133</u>	<u>\$ 23,512</u>

6. Additional Paid-in Capital and Retained Earnings

On October 1, 2001, an amendment (the "Amendment") to the Commercial Code of Japan (the "Code") became effective. The Amendment eliminates the stated par value of the Company's outstanding shares, which resulted in all outstanding shares having no par value as of October 1, 2001. The Amendment also provides that all share issuances after September 30, 2001 will be of shares with no par value. Prior to the date on which the Amendment became effective, the Company's shares had a par value of ¥50 per share.

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 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 Commercial Code. The legal reserve of the Company included in retained earnings at March 31, 2002 and 2001 amounted to ¥2,424 million (\$18,191 thousand).

7. Retirement Benefits

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, 2002 and 2001 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Retirement benefit obligation	¥ (33,256)	¥ (33,619)	\$ (249,575)
Plan assets at fair value	20,248	21,255	151,954
Unfunded retirement benefit obligation	(13,008)	(12,364)	(97,621)
Unrecognized prior service cost	(421)	13	(3,159)
Unrecognized actuarial loss	4,162	3,119	31,234
Accrued retirement benefits recognized in the consolidation balance sheets	¥ (9,266)	¥ (9,232)	\$ (69,538)

The components of retirement benefit expenses of the Company and the consolidated subsidiaries for the years ended March 31, 2002 and 2001 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Service cost	¥ 1,532	¥ 1,617	\$ 11,497
Interest cost	852	803	6,393
Expected return on plan assets	—	(481)	—
Amortization of net retirement benefit obligation at transition	(233)	6,984	(1,748)
Amortization of prior service cost	311	(45)	2,333
Retirement benefit expenses	¥ 2,463	¥ 8,878	\$ 18,484

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2002 and 2001 were as follows:

	2002	2001
Discount rate	3.0%	3.0%
Expected rate of return on plan assets	0.0%	2.61%

Notes to Consolidated Financial Statements

8. 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 a statutory tax rate of approximately 42.1% for the years ended March 31, 2002 and 2001.

A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2001 as a percentage of income before income

taxes and minority interests has been omitted since the difference between the statutory tax rate and the effective tax rate was minor. A reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2002 as a percentage of loss before income taxes and minority interests has been omitted since the Company recorded a loss before income taxes and minority interests.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the 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, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Deferred tax assets:			
Unrealized gain on inventories	¥ 259	¥ 333	\$ 1,943
Investments in securities	3,561	1,450	26,724
Long-term prepaid expenses	293	277	2,198
Accrued enterprise tax	—	384	—
Accrued bonuses	512	501	3,842
Retirement benefits for employees	3,381	3,054	25,373
Retirement benefits for officers	372	516	2,791
Other	1,822	1,010	13,673
Total deferred tax assets	10,204	7,525	76,577
Deferred tax liabilities:			
Revaluation of land	(384)	(384)	(2,881)
Deferred capital gain on property	(517)	(514)	(3,879)
Special reserve for depreciation	(67)	(80)	(502)
Unrealized holding gain on securities	(8,402)	(11,649)	(63,054)
Other	(37)	(110)	(277)
Total deferred tax liabilities	(9,410)	(12,737)	(70,619)
Net deferred tax assets (liabilities)	¥ 794	¥ (5,212)	\$ 5,958

9. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended

March 31, 2002 and 2001 totaled ¥2,051 million (\$15,392 thousand) and ¥2,845 million, respectively.

10. Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of leased property as of March 31, 2002 and 2001, which would have been reflected in the balance sheets if finance leases other than those which transfer the ownership of the leased property of the Companies (which are currently accounted for as operating leases) were capitalized:

	Millions of yen					
	2002			2001		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 53	¥ 7	¥ 45	¥ —	¥ —	¥ —
Machinery and equipment	2,158	1,165	992	2,769	1,180	1,589
Furniture and fixtures	1,660	913	747	2,023	1,097	926
	<u>¥ 3,871</u>	<u>¥ 2,086</u>	<u>¥ 1,785</u>	<u>¥ 4,792</u>	<u>¥ 2,277</u>	<u>¥ 2,515</u>

	Thousands of U.S. dollars		
	2002		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 397	\$ 52	\$ 337
Machinery and equipment	16,195	8,742	7,444
Furniture and fixtures	12,457	6,851	5,606
	<u>\$ 29,050</u>	<u>\$ 15,654</u>	<u>\$ 13,395</u>

The related lease payments and depreciation for the years ended March 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
	Lease payments	¥ 1,006	¥ 1,317
Depreciation expense	878	1,002	6,589
Interest expense	97	133	727

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, 2002 under finance leases other than those which transfer the ownership of the leased property to the Companies are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 796	\$ 5,973
2004 and thereafter	1,080	8,105
	<u>¥ 1,877</u>	<u>\$ 14,086</u>

11. Contingent Liabilities

At March 31, 2002, the Company and consolidated subsidiaries were contingently liable as guarantors of loans of unconsolidated subsidiaries and other in the aggregate amount of ¥2,232 million (\$16,750 thousand) and as guarantors of housing loans of employees in the aggregate amount of ¥311 million (\$2,333 thousand).

In addition, at March 31, 2002, the Company and consolidated subsidiaries had contingent liabilities arising from notes discounted by banks and notes endorsed and delivered for payment to vendors in the total amount of ¥655 million (\$4,915 thousand).

Notes to Consolidated Financial Statements

12. Segment Information

The Company and consolidated subsidiaries are primarily engaged in the manufacture, purchase and sale of products in Japan and overseas in four major segments: chemicals which mainly include coating materials, color materials, monomers, urethane raw materials, resin additives, dyes, organic fine chemicals, specialty chemicals, and agricultural and ecological materials, plastics which include synthetic

resin, synthetic rubber and building materials, shaped processed goods, electronics which include semiconductor water processing, semiconductor assembly processing, liquid crystal display components, communications devices and other electronic devices, and health care products which include medical devices, cosmetics and health food, as well as health care services.

The business and geographical segments of the Company and consolidated subsidiaries for the years ended March 31, 2002 and 2001 are outlined as follows:

Business Segments

Millions of yen								
2002								
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales	
Sales to customers	¥ 218,524	¥ 175,252	¥ 83,660	¥ 13,146	¥ 490,583	¥ —	¥ 490,583	
Intersegment sales	12	15	3	1,663	1,695	(1,695)	—	
Total sales	218,537	175,268	83,663	14,810	492,279	(1,695)	490,583	
Operating expenses	216,178	176,425	83,349	14,652	490,606	(1,695)	488,910	
Operating income (loss)	¥ 2,358	¥ (1,157)	¥ 313	¥ 157	¥ 1,673	¥ 0	¥ 1,673	
Assets	¥ 117,716	¥ 83,622	¥ 46,442	¥ 11,041	¥ 258,822	¥ 41,250	¥ 300,073	
Depreciation and amortization	1,067	810	826	183	2,888	—	2,888	
Capital expenditures	1,453	1,515	1,251	332	4,553	—	4,553	

Millions of yen								
2001								
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales	
Sales to customers	¥ 237,872	¥ 205,460	¥ 103,383	¥ 12,658	¥ 559,373	¥ —	¥ 559,373	
Intersegment sales	0	64	4	1,777	1,845	(1,845)	—	
Total sales	237,872	205,524	103,387	14,435	561,218	(1,845)	559,373	
Operating expenses	234,792	202,535	101,835	14,304	553,466	(1,845)	551,621	
Operating income	¥ 3,080	¥ 2,989	¥ 1,552	¥ 131	¥ 7,752	¥ 0	¥ 7,752	
Assets	¥ 130,489	¥ 103,605	¥ 53,774	¥ 9,228	¥ 297,096	¥ 56,681	¥ 353,777	
Depreciation and amortization	1,362	732	679	193	2,966	0	2,966	
Capital expenditures	1,557	1,380	760	72	3,769	0	3,769	

Thousands of U.S. dollars								
2002								
	Chemicals	Plastics	Electronics	Health care and others	Total	Eliminations or corporate	Consolidated sales	
Sales to customers	\$ 1,639,954	\$ 1,315,212	\$ 627,842	\$ 98,656	\$ 3,681,673	\$ —	\$ 3,681,673	
Intersegment sales	90	112	22	12,480	12,720	(12,720)	—	
Total sales	1,640,052	1,315,332	627,864	111,144	3,694,401	(12,720)	3,681,673	
Operating expenses	1,622,348	1,324,015	625,508	109,958	3,681,846	(12,720)	3,669,118	
Operating income (loss)	\$ 17,696	\$ (8,682)	\$ 2,348	\$ 1,178	\$ 12,555	\$ 0	\$ 12,555	
Assets	\$ 883,442	\$ 627,557	\$ 348,532	\$ 82,859	\$ 1,942,378	\$ 309,568	\$ 2,251,954	
Depreciation and amortization	8,007	6,078	6,198	1,373	21,673	—	21,673	
Capital expenditures	10,904	11,369	9,388	2,491	34,168	—	34,168	

Geographical Segments

Millions of yen							
2002							
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥ 399,725	¥ 73,283	¥ 10,671	¥ 6,903	¥ 490,583	¥ —	¥ 490,583
Intersegment sales	48,320	2,730	2,679	1,649	55,379	(55,379)	—
Total sales	448,045	76,013	13,350	8,552	545,963	(55,379)	490,583
Operating expenses	448,831	73,914	13,214	8,493	544,454	(55,543)	488,910
Operating income (loss)	¥ (785)	¥ 2,099	¥ 136	¥ 58	¥ 1,509	¥ 164	¥ 1,673
Assets	¥ 237,886	¥ 25,112	¥ 5,517	¥ 2,336	¥ 270,852	¥ 29,221	¥ 300,073

Millions of yen							
2001							
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	¥ 466,539	¥ 74,948	¥ 10,630	¥ 7,256	¥ 559,373	¥ —	¥ 559,373
Intersegment sales	57,492	4,142	3,077	1,580	66,291	(66,291)	—
Total sales	524,031	79,090	13,707	8,836	625,664	(66,291)	559,373
Operating expenses	519,927	75,613	13,633	8,927	618,100	(66,479)	551,621
Operating income (loss)	¥ 4,104	¥ 3,477	¥ 74	¥ (91)	¥ 7,564	¥ 188	¥ 7,752
Assets	¥ 272,778	¥ 28,923	¥ 5,358	¥ 2,801	¥ 309,860	¥ 43,917	¥ 353,777

Thousands of U.S. dollars							
2002							
	Japan	Asia	North America	Others	Total	Eliminations or corporate	Consolidated sales
Sales to customers	\$ 2,999,812	\$ 549,966	\$ 80,082	\$ 51,804	\$ 3,681,673	\$ —	\$ 3,681,673
Intersegment sales	362,626	20,487	20,105	12,375	415,602	(415,602)	—
Total sales	3,362,439	570,454	100,187	64,180	4,097,283	(415,602)	3,681,673
Operating expenses	3,368,337	554,701	99,166	63,737	4,085,958	(416,833)	3,669,118
Operating income (loss)	\$ (5,891)	\$ 15,752	\$ 1,020	\$ 435	\$ 11,324	\$ 1,230	\$ 12,555
Assets	\$ 1,785,260	\$ 188,457	\$ 41,403	\$ 17,530	\$ 2,032,660	\$ 219,294	\$ 2,251,954

Notes to Consolidated Financial Statements

Sales to Foreign Customers

	Millions of yen			
	2002			
	Asia	North America	Other	Total
Overseas sales	¥ 128,657	¥ 11,171	¥ 9,652	¥ 149,481
Consolidated net sales				¥ 490,583
Overseas sales as a percentage of consolidated net sales	26.2%	2.3%	2.0%	30.5%

	Millions of yen			
	2001			
	Asia	North America	Other	Total
Overseas sales	¥ 145,375	¥ 12,305	¥ 9,137	¥ 166,817
Consolidated net sales				¥ 559,373
Overseas sales as a percentage of consolidated net sales	26.0%	2.2%	1.6%	29.8%

	Thousands of U.S. dollars			
	2002			
	Asia	North America	Other	Total
Overseas sales	\$ 965,530	\$ 83,834	\$ 72,435	\$ 1,121,808
Consolidated net sales				\$ 3,681,673

13. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2002, were approved at a shareholders' meeting of the Company held on June 27, 2002:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥8.00 = \$0.06 per share)	¥ 1,065	\$ 7,992

Report of Independent Certified Public Accountants

The Board of Directors and the Shareholders Nagase & Co., Ltd.

We have audited the consolidated balance sheets of Nagase & Co., Ltd. and consolidated subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of Nagase & Co., Ltd. and consolidated subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period.

As described in Note 2, Nagase & Co., Ltd. and consolidated subsidiaries adopted new accounting standards for foreign currency translation, financial instruments and retirement benefits effective April 1, 2000 in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2002 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 27, 2002

Shin Nihon & Co.

See Note 1 which explains the basis of preparation of the consolidated financial statements of Nagase & Co., Ltd., under Japanese accounting principles and practices.

Nagase in Japan

Our Major Consolidated Subsidiaries and Associated Companies

Manufacturing

Nagase ChemteX Corp. *	Manufacture of epoxy resins, enzymes and industrial chemical products
Grelan Pharmaceutical Co., Ltd. **	Manufacture and sales of pharmaceuticals
Nagase Pharmaceutical Co., Ltd. *	Manufacture of pharmaceuticals
Totaku Industries, Inc. *	Manufacture and sales of plastics products
Kyusyu Totaku Industries, Inc.	Manufacture and sales of plastics products
Thermo Co., Ltd. **	Manufacture and sales of plastics products
Gigatec Inc.	Design, manufacture and sales of high frequency power amplifiers
Idea System Co., Ltd.	Design and manufacture of electronic parts and instruments
Nagase Alphametics Co., Ltd.	Manufacture of cosmetics and medical care products
Nagase Cosmetics Co., Ltd.	Manufacture of cosmetics and health foods

Processing

Kotobuki Industries Co., Ltd. *	Molding, processing and sales of plastics products
Setsunan Kasei Co., Ltd. *	Processing and sales of plastic coloring compounds
Kyoraku Co., Ltd. **	Manufacture, processing and sales of plastics products
Cluster Technology Co., Ltd.	Manufacture, processing and sales of precision molded parts
Alpha Bumping Technology Co., Ltd.	Contract processing for wafer bumping using Ni/Au electroless plating

Servicing

Delta 21 Corp.	Marketing activities, management and consulting for plastics production
Design & Die Co., Ltd.	Design, manufacture and sales of parts of cars, plastics products
Nagase Electronic Equipment Service Co., Ltd. *	Manufacture, sales and maintenance of low temperature vacuum equipment, etc.
Nagase CMS Technology Co., Ltd.	Development, design, manufacture, sales and maintenance of CMS devices
Nagase Landauer Ltd. **	Radiation measuring services
NCC Engineering Co., Ltd.	Maintenance and manufacture of medical equipment
Nagase Storage & Distribution Co., Ltd. *	Warehousing and distribution
Nagase General Service Co., Ltd. *	Sales of sundry goods, lease and real estate management
Nagase Information Development, Ltd. *	Software development and maintenance
Nippon Vopak Co., Ltd. **	Warehousing, automatic shipping of freight and freight handling businesses
Nagase Business Support Corp.	Consulting
Nagase Trade Management Co., Ltd.	Business agent for foreign trade documentation
Choko Co., Ltd.	Insurance agency

* Consolidated subsidiary ** Company accounted for under the equity method

Sales

Nagase Colors & Chemicals Co., Ltd. *	Purchasing and sales of dyestuffs, industrial chemicals, etc. and related information provision
Delta Fine Chemical Co., Ltd. *	Sales of dyestuffs, industrial chemicals, plastics and machinery
Kyushu Nagase Co., Ltd.	Sales of dyestuffs, auxiliaries industrial chemical and plastics
Nishinohon Nagase Co. Ltd.	Sales of dyestuffs, auxiliaries industrial chemical and plastics
Shizuoka Nagase Co., Ltd. *	Sales of pigments and chemicals for paper manufacturing
Nagase Bio-chemical Sales Co., Ltd. *	Sales of enzymes and additives for food and feed
Nagase Chemspec Co., Ltd.	Sales and technological servicing of chemicals, etc.
Nagase Agritech KK	Sales of agricultural products including chemicals and materials
Griffin Nagase KK	Sales of industrial chemicals and agricultural chemicals
Nagase Plastics Co., Ltd. *	Sales of plastics raw materials and products
Nagase Elex Co., Ltd. *	Sales of raw materials for plastics and plastics products
Hoei Sangyo Co., Ltd. *	Sales of film materials, magnetic products, information imaging materials, etc.
Nagase Barrel Finishing Systems Co., Ltd. *	Sales of abrasives and grinding materials
Shinshu Nagase Co., Ltd.	Sales of electronics parts and plastics raw materials
Nagase Beauty Care Co., Ltd.	Sales promotion services for cosmetics and health foods
Herbal Care Co., Ltd.	Internet, mail-order and store sales of cosmetics and health foods
Nagase Medix Co., Ltd.	Manufacture and sales of pharmaceuticals and pharmaceuticals for animals

Nagase Worldwide

Our Major Consolidated Subsidiaries and Associated Companies, Offices

Europe

Germany

Nagase (Europa) GmbH *
Berliner Allee 59 40212 Dusseldorf, Germany
Tel: (211)866200 Fax: (211)3237068

UK

Nagase & Co., Ltd.,
London Representative Office
4F, Crown House, 143 Regent Street, London W1R 7LB, U.K.
Tel: (020)72873368 Fax: (020)72873588

Asia

Korea

Nagase Korea Corp.
The Daehan Maeil & Press Center Bldg.
10F 25, 1-Ga, Taepyung-ro, Chung-ku, Seoul, Korea
Tel: (02)7348745 Fax: (02)7348747

Nagase Engineering Service Korea Co., Ltd.
Seowon Bldg. 3F, Togok-Dong, 544-3,
Kangnam-ku, Seoul, Korea
Tel: (02)5720881 Fax: (02)5720884

Taiwan

Nagase (Taiwan) Co., Ltd. *
4F-1, 248, Sec.3, Nanking E. Road. Taipei,
Taiwan, R.O.C.
Tel: (02)27733668 Fax: (02)27737288

Nagase Wahlee Plastics Corp. *
9F, Chuan Ta Bldg., No.37, Sec.3, Min Chuan
East Road, Taipei, Taiwan, R.O.C.
Tel: (02)5062400 Fax: (02)5062401

China

Shanghai Nagase Trading Co., Ltd.
16F, HSBC Tower, No.101 Yincheng Dong Lu,
Pudong new District, Shanghai, P.R. China
Tel: (21)68413535 Fax: (21)68411826

Nagase & Co., Ltd., Shanghai Office
16F, HSBC Tower, No.101 Yincheng Dong Lu,
Pudong new District, Shanghai, P.R. China
Tel: (21)68413535 Fax: (21)68411826

Nagase (Hong Kong) Ltd. *
Suite 2001-6, Tower 1, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui, Kowloon,
Hong Kong S.A.R., P.R. China
Tel: 23750000 Fax: 23772728

Nagase (Hong Kong) Ltd.,
Shenzhen Representative Office
Suite 1811, Kerry Centre, Reminnan Road,
Shenzhen, P.R. China 518001
Tel: (755)25180683 Fax: (755)82317089

Nagase (Hong Kong) Ltd.,
Guangzhou Representative Office
Room2615, Metro Plaza, 183 Tian
He Bei Road, Guangzhou, P.R. China
Tel: (20)87550626 Fax: (20)87550493

Nagase (Hong Kong) Ltd.,
Tianjin Representative Office
Room C02, 7/F, Hechuan Bldg,
Nanjing Road, Heping District, Tianjin, P.R. China
Tel: (22)27217002 Fax: (22)27213335

Nagase (Hong Kong) Ltd.,
Dalian Representative Office
Room 807-809, Furama Hotel,
60 Remin Road, Dalian, P.R. China
Tel: (411)2593150 Fax: (411)2808349

Shanghai Hua Chang Trading Co., Ltd.
Room 1505, Marine Tower, No.1,
Pudong Ave. Shanghai, P.R. China
Tel: (21)68861177 Fax: (21)68861435

Guangzhou Nagase Trading Ltd.
Room 2317, CITIC Plaza Office Tower,
233 Tian He Bei Road, Guangzhou, China P.C. 510613
Tel: (020)38911101 Fax: (020)38911103

Nagase Precision Plastics Shanghai Co., Ltd.
B-Block, 1st Floor, 173 Meisheng Road,
Wai Gao Qiao Free Trade Zone, Pudong, Shanghai 200131, China
Tel: (021)58681661 Fax: (021)58681667

Thailand

Nagase (Thailand) Co., Ltd. *
25F, Thaniya Plaza Bldg., 52 Silom Road,
Bangkok 10500, Thailand
Tel: (02)2312221 Fax: (02)2312262

Katolec (Thailand) Co., Ltd.
Saha Rattana Nakorn Industrial Estate, 115/5
Moo 4, Bangprakroo, Amphur Nakornluang,
Ayuthaya 13260, Thailand
Tel: (35)360135 Fax: (35)360134

Sanko Gosei Technology (Thailand) Ltd.
64/20 Moo 4 Eastern Seaboard Industrial
Estate T. Pluakdaeng. A.Plukdaeng
Rayong 21140, Thailand
Tel: (38)955234 Fax: (38)955225

Advanced Mold Technology Co., Ltd.
22F, SSP Bldg., Tower 3, 88 Silom Road,
Suriyawongse, Bangrak, Bangkok
10500, Thailand
Tel: (02)6366401 Fax: (02)6366402

* Consolidated subsidiary ** Company accounted for under the equity method

Malaysia

Nagase (Malaysia) Sdn. Bhd. *

Suite 16.01, Level 16, Menara IGB Mid Valley City
Lingkar Syed Putra 59200 Kuala Lumpur, Malaysia
Tel: (03)22832366 Fax: (03)22822933

Nagase (Malaysia) Sdn. Bhd., Penang Office

Suite13-2, 3F, Menara Penang Garden, 42A
Jalan Sultan Ahmad Shah, 10050 Penang, Malaysia
Tel: (04)2286951 Fax: (04)2286841

Nagase (Malaysia) Sdn. Bhd., Johor Bahru Office

Suite 6.5A Level 6, Menara Pelangi, Taman Pelangi,
Jalan Kuning, 80400 Johor Bahru, Malaysia
Tel: (07)3336088 Fax: (07)3339088

Malaysian Fine Material Sdn. Bhd.

17, Lintan Beringin 6, Jalan Permatang
Damar Laut, Diamond Valley Industrial Park,
11960 Penang, West Malaysia
Tel: (04)6262485 Fax: (04)6262487

Singapore

Nagase Singapore (Pte) Ltd. *

300 Beach Road, #39-00 The Concourse,
Singapore 199555.
Tel: 63980088 Fax: 63980227

Chang Fong Overseas Enterprises (Pte) Ltd.

31 Gul Circle, Jurong Industrial Estate,
Singapore 629569
Tel: 68623801 Fax: 68622655

Nagase Finechem Singapore (Pte) Ltd.

9 Tuas View Lane 637569 Singapore
Tel: 68989289 Fax: 68985313

Vietnam

Nagase & Co., Ltd., Hanoi Representative Office

Unit 807 Hanoi Tung Shing Square 2
Ngo Quyen Hoan Kiem Dist., Hanoi, Vietnam
Tel: (04)9350110 Fax: (04)9350108

Nagase Singapore (Pte) Ltd., Vietnam Representative Office

Room1809, Sun Wah Tower, 115
Nguyen Hue Boulevard, Dist.1, HCMC, Vietnam
Tel: (08)8219166 Fax: (08)8219139

Indonesia

P.T. Nagase Impor-Ekspor Indonesia

14F, Lippo Plaza Jalan Jend. Sudirman
Kav. 25, Jakarta 12920, Indonesia
Tel: (21)5203506 Fax: (21)5203505

P.T. Daimei Santana Indonesia

Kawasan International Industrial City
Lot C4-b, JL. Toll. Jakarta Cikampek KM.
47 Karawang, Jawa Barat Indonesia
Tel: (21)8904221 Fax: (21)8904220

Philippines

Nagase Philippines Corp .

18-B Trafalgar Plaza H.V. Dela Costa Street,
Salcedo Village, 1227 Makati City, Philippines
Tel: (02)7502935 Fax: (02)8118296

India

Nagase & Co., Ltd., Bombay Liaison Office

34, 3F, Maker Chamber III, Nariman Point,
Mumbai 400021, India
Tel: (22)2844415 Fax: (22)2045419

UAE

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

North America

USA

Nagase America Corp. *

546 Fifth Avenue 16F, New York, NY 10036 U.S.A.
Tel: (212)7031340 Fax: (212)3980687

Nagase Plastics America Corp. *

34119 West Twelve Mile Road, Suite 205
Farmington Hills, MI 48331 U.S.A
Tel: (248)3244467 Fax: (248)3244471

Nagase California Corp. *

710 Lakeway, Suite 135, Sunnyvale,
CA 94085, U.S.A.
Tel: (408)3281520 Fax: (408)7739567

Sofix Corp. **

2800 Riverport Road, Chattanooga,
Tennessee 37406-1721, U.S.A.
Tel: (423)6243500 Fax: (423)6243587

Canada

Canada Mold Technology Inc. *

1075 Ridgeway Road, Woodstock, Ontario,
Canada N4V 1E3
Tel: (519)4210711 Fax: (519)4210706

Board of Directors and Auditors, Executive Officers

(as of July 1, 2002)

BORD OF DIRECTORS

REPRESENTATIVE DIRECTOR AND CHAIRMAN
HIDEO NAGASE

REPRESENTATIVE DIRECTOR AND PRESIDENT
(EXECUTIVE OFFICER)
HIROSHI NAGASE

REPRESENTATIVE DIRECTOR AND
EXECUTIVE MANAGING DIRECTOR
MICHIYUKI INUKAI

BOARD SUPERVISOR, CHEMICALS BUSINESS GROUP;
BOARD SUPERVISOR, RESEARCH&DEVELOPMENT CENTER

REPRESENTATIVE DIRECTOR AND
EXECUTIVE MANAGING DIRECTOR (EXECUTIVE OFFICER)
AKIRA NAITOH

BOARD SUPERVISOR, ADMINISTRATIVE DIVISIONS;
COO, CORPORATE PLANNING OFFICE; COO, NEW BUSINESS DEVELOPMENT OFFICE

MANAGING DIRECTOR
KAZUNORI ANDO

BOARD SUPERVISOR, HEALTH CARE BUSINESS GROUP

MANAGING DIRECTOR
TAKESHI IWAI

BOARD SUPERVISOR, CHEMICALS BUSINESS GROUP

MANAGING DIRECTOR (EXECUTIVE OFFICER)
REIJI NAGASE

PRESIDENT OF NAGASE CHEMTEX CORPORATION

DIRECTOR (EXECUTIVE OFFICER)
MASAHIRO MURAYAMA

BOARD SUPERVISOR, AUDIT OFFICE; BOARD SUPERVISOR,
PERSONNEL DIVISION; BOARD SUPERVISOR,
OSAKA ADMINISTRATIVE DIVISION; COO, GENERAL AFFAIRS DIVISION

DIRECTOR
AKIRA SAKAI

PRESIDENT OF TOTAKU INDUSTRIES, INCORPORATED

DIRECTOR (EXECUTIVE OFFICER)
KAZUAKI KOBAYASHI

COO, PLASTICS BUSINESS GROUP

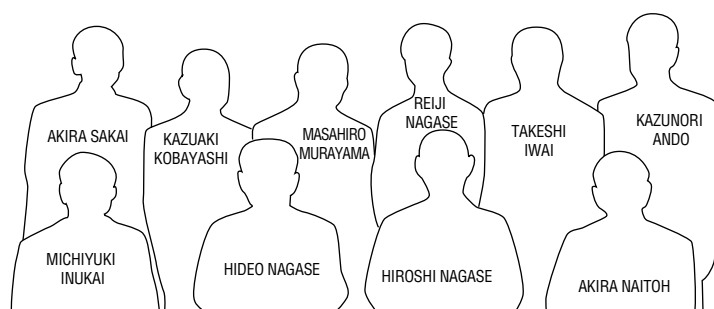
CORPORATE AUDITORS

YASUHIRO KASHIWADA

KEISUKE IAI

SOUJI OKADA

EISAKU KIMURA



EXECUTIVE OFFICERS

RYOICHI OKUNO
COO, NAGOYA BRANCH OFFICE

KANJI TAKAHASHI
MANAGING DIRECTOR OF
NAGASE CHEMTEX CORPORATION

NORIO KURAKAKE
COO, PERSONNEL DIVISION;
COO, LEGAL & CREDIT DIVISION

TAKEO KANEKO
COO, FINE CHEMICALS GROUP;
COO, CHEMICALS DEVELOPMENT OFFICE

TAKASHI MATSUYAMA
PLASTICS BUSINESS GROUP

YOSHIZO SHIBATA
COO, PERFORMANCE CHEMICALS GROUP;
COO, CHEMICALS PLANNING OFFICE

SHUNSUKE OKABE
PLASTICS BUSINESS GROUP

MAKOTO ONO
COO, HEALTH CARE BUSINESS GROUP

SHINGO BAMBA
COO, SPECIALITY CHEMICALS GROUP

EIJI ASAMI
COO, COATING & IMAGING MATERIALS GROUP

KYOICHI ZUSHI
COO, ELECTRONICS 1ST GROUP

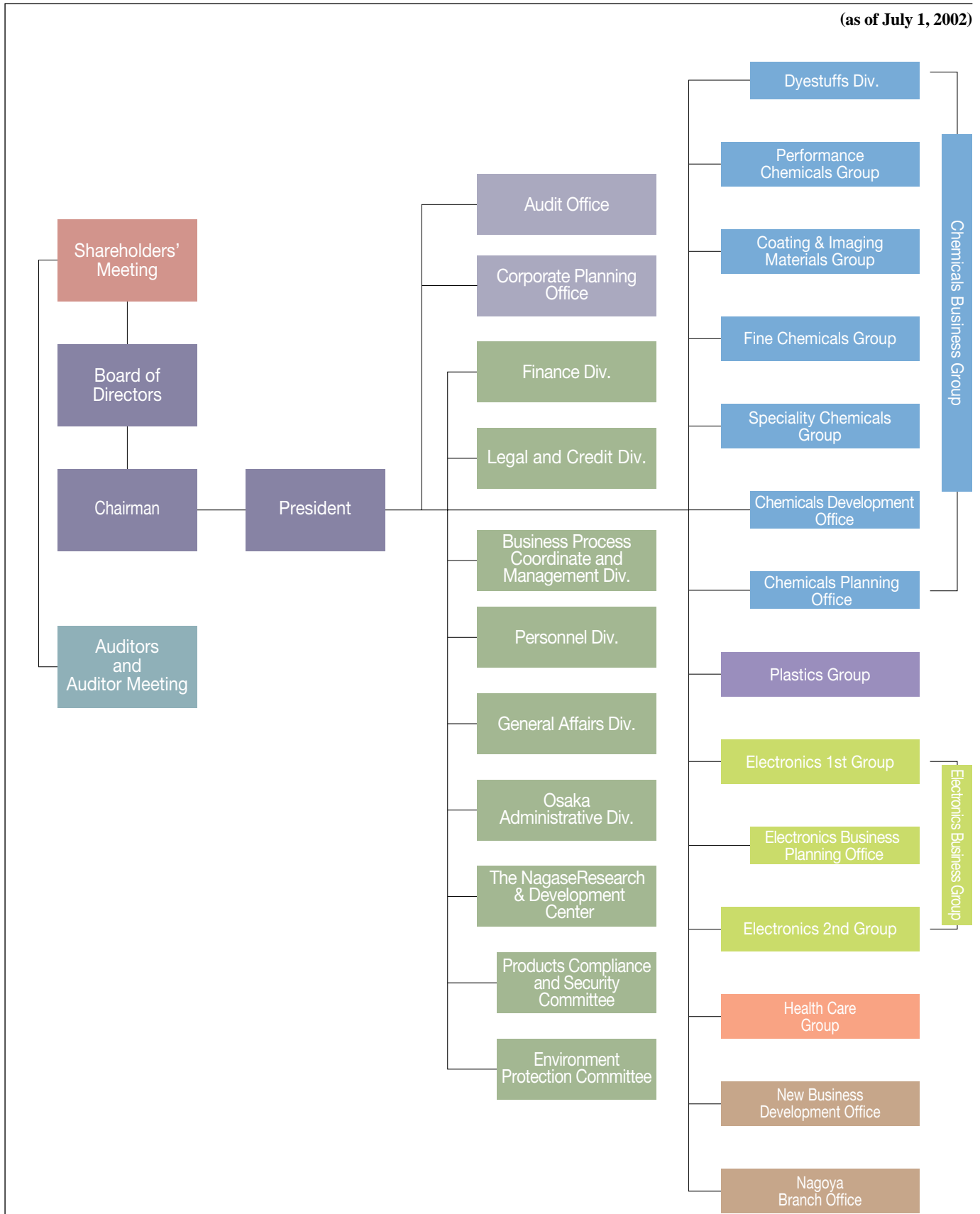
KAZUO NAGASHIMA
COO, ELECTRONICS 2ND GROUP;
COO, ELECTRONICS PLANNING OFFICE

MAKOTO TSURUOKA
CHIEF FINANCIAL OFFICER

KOJI KURAMITSU
COO, BUSINESS PROCESS COORDINATE &
MANAGEMENT DIVISION

Organizational Structure

(as of July 1, 2002)



Investor Information

(as of March 31, 2002)

Head Office

**Osaka: 1-17, Shinmachi 1-chome
Nishi-ku, Osaka**
**Tokyo: 5-1, Kobunacho Nihonbashi
Chuo-ku, Tokyo**

Branch Office

**Nagoya: 14-18, Marunouchi 3-chome
Naka-ku, Nagoya**

Foundation

December 1917

For More Information Contact

General Affairs Division
Tel: (81) 3-3665-3021
Fax: (81) 3-3665-3030

Share Transfer Agent

Sumitomo Trust & Banking Co., Ltd.
5-33, Kitahama 4-Chome Chuo-ku, Osaka

Stock Listed

**First Section of the Tokyo Stock Exchange
and Osaka Securities Exchange**
(since August 1970)

Common Stock

Number of shares to be issued by the company: 346,980,000
Number of issued shares: 138,408,285

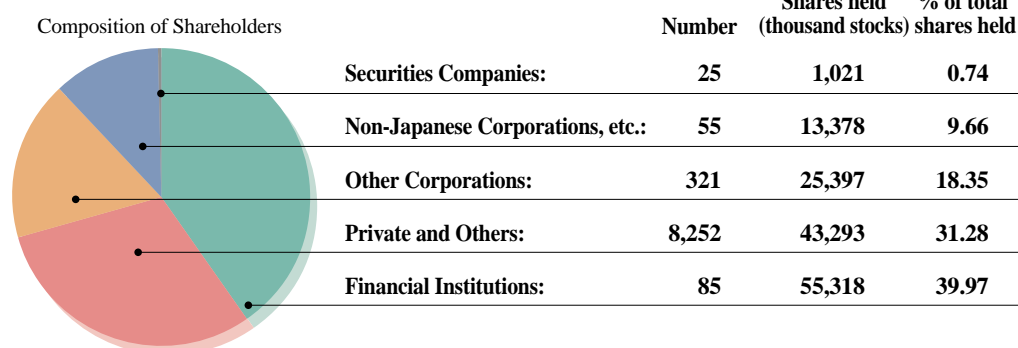
Number of Shareholders

8,738

Principal Shareholders (% of total shares held)

	Investment in the Company		Investment by the Company	
	No. of shares held	Special rate	No. of shares held	Special rate
	M shares	%	M shares	%
1. Sumitomo Mitsui Bank	6,867	4.96	7,102	0.12
2. Sumitomo Trust Bank	5,841	4.22	4,060	0.28
3. Tokyo Mitsubishi Bank	5,402	3.90	—	—
4. UFJ Bank	4,603	3.33	—	—
5. Nippon Life Ins. Co.	4,228	3.05	—	—
6. Hiroshi Nagase	4,134	2.99	—	—
7. SNFE MAC Japan Active Shareholder Fund, L.P.	4,115	2.97	—	—

Share Distribution





Osaka Head Office



Tokyo Head Office



Nagoya Branch Office

NAGASE & CO, LTD.

HEAD OFFICE

Osaka: 1-17, Shinmachi 1-chome Nishi-ku, Osaka

Tel: (81)6-6535-2114

Tokyo: 5-1, Kobunacho Nihonbashi Chuo-ku, Tokyo

Tel: (81)3-3665-3021

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