

## Consolidated Brief Financial Report

### < Review of Fiscal 1999 >

#### Consolidated Sales

Amid this severe economic environment, net sales of Nagase & Co., Ltd., declined 5.5% from the previous term, to 563.2 billion yen. Domestic net sales reflected the adverse conditions of the Japanese economy, declining 8.1%, to 405.6 billion yen. Sales in overseas were also seriously affected economic dismal, particularly in ASEAN countries, resulting dull exports from Japan recording a 1.7% increase, to 157.6 billion yen, and percentage of overseas sales in the consolidated turnover recorded 28.0%.

#### [Chemicals]

Though sales of raw materials for pharmaceutical were firm and steady, sales of coating and plastic materials, functional colors were greatly influenced by the business slowdown in automobile and housing industries resulting a 5.5% decline to 244.1 billion yen.

#### [Plastics]

Though sales of environmentally safe fire-retardant plastics increased substantially, domestic sales of housing & packaging related plastics and products were dropped as well as exports of general purpose plastics were dull, resulting a 2.7% down to 199.2 billion yen.

#### [Electronic Systems & Materials]

Although materials for use in storage media and products for the information and telecommunications sectors sold strongly, demand was weak for epoxy encapsulant and other materials for the semiconductor industry. In addition, sales of materials used in PCs, including liquid crystal display modules, fell. As a result, domestic and overseas sales were sharply down compared with fiscal 1998. Divisional sales totaled 104.5 billion yen, a 9.6% decline from the previous fiscal year.

#### [Health-care Products and Others]

Despite introduction of diet products as a health food related products on the market, the sales were also sluggish as well as cosmetics because of pinched personal consumption, furthermore medical equipment and others showed little growth due to governmental policy to squeeze total medical expenditures, resulting a 11.7% drop to 15.5 billion yen.

#### Consolidated Income

Though the gross profit for this term was 53.2 billion yen, up 0.7% over the previous term, the operating income after selling, general and administration was 7.8 billion yen, down 15.7% over the previous term. A valuation loss on marketable securities led to recurring income dropping 13.7%, to 8.5 billion yen. Net income after deduction of corporate and other taxes decreased 27.4%, to 3.6 billion yen.

### < Prospect >

While there are some positive signs regarding the Japanese economy, we assume that the present severe business climate will continue. As a result, we estimate net sales of 570.0 billion yen and net income of 5.0 billion yen for fiscal 2000.