Summary of Consolidated Business Results for the Year Ended March 31, 2005

April 28, 2005

Company Name: Nagase & Co., Ltd
Stock Exchanges Listed: Tokyo, Osaka
Listing Code: 8012
Location of Head Office: Osaka Prefecture
(URL http://www.nagase.co.jp)
Representative Position: President Hiroshi Nagase
Contact Details Position: Accounting Division Manager Takahide Osada Telephone (03) 3665-3103

Date of Board of Director's Meeting for Settlement of Accounts April 28, 2005
Adoption of U.S. GAAP: No

1. March 31, 2005 Consolidated Results (April 1, 2004 – March 31, 2005)

1) Consolidated Operating Results

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

	Net Sales		Operating Income		Recurring income	
	¥ Millions	%	¥ Millions	%	¥ Millions	%
Period Ended March 31, 2005	575,636	7.9	13,256	29.4	15,158	15.6
Period Ended March 31, 2004	533,301	5.9	10,244	21.5	13,110	16.2

	Net income		EPS	Fully Diluted EPS	Shareholder Net Income Rate for this Fiscal Year	Shareholder's Equity Ratio	Sales Operating Income Rate
	¥ Millions	%	¥	¥	%	%	%
Period Ended March 31, 2005	10,384	48.1	81.00	80.82	6.4	4.7	2.6
Period Ended March 31, 2004	7,010	67.4	54.69	-	4.7	4.4	2.5

Notes:

1. Gain (loss) on equity method investment
   Period ended March 31, 2005: ¥312 million Period ended March 31, 2004: ¥437 million
2. Average number of shares during the consolidated accounting period
   Period ended March 31, 2005: 127,269,620 Period ended March 31, 2004: 127,195,732
3. Changes to Accounting policies: Yes
4. The percentage figures for sales, operating income, recurring income, and net income represent increases (decreases) relative to the previous year's results.

2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
Period Ended March 31, 2005	335,290	167,092	49.8	1,311.37
Period Ended March 31, 2004	310,793	156,210	50.3	1,227.82

Notes:
Shares issued and outstanding at the end of the consolidated accounting period:
Year ended March 31, 2005: 127,361,107
Year ended March 31, 2004: 127,181,787

3) Consolidated Cash Flows

	Net Cash from operating activities	Net Cash Used for Investment Activities	Net Cash Used for Financial Activities	Balance of Cash and Cash Equivalents at Term End
	¥ Millions	¥ Millions	¥ Millions	¥ Millions
Period Ended March 31, 2005	1,716	-1,412	-5,119	17,215
Period Ended March 31, 2004	6,431	-1,689	-1,832	21,033

4) Scope of Consolidation and Application of Equity Method
Consolidated subsidiaries: 38
Non-consolidated affiliated companies covered by equity method accounting: 0
Affiliated companies covered by equity method accounting: 9

5) Changes to Scope of Consolidation and Application of Equity Method
Consolidated Subsidiaries (New): 8 (Excluded): 1
Equity Method (New): 0 (Excluded): 0

2. Consolidated Forecasts for the Year Ended March 31, 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Recurring Income	Net Income
	¥ Millions	¥ Millions	¥ Millions
Interim Period	300,000	8,800	5,600
Whole Year	600,000	17,400	10,800

Reference: Annual net income per share is projected to reach ¥84.21
*The above forecasts were prepared on the basis of information available on the date of release. Actual results may differ from these forecasts due to various factors.

Management Policy

1. Basic Management Policy

<Management Philosophy>

The Nagase Group is a member of the world society. As such, it is our duty to maintain good and fair business practices and, through continued growth and development, provide society with the goods and services needed while improving the welfare of our employees.

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

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

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

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

2. Basic Profit Sharing Policy

Our basic policy is to strive to further enhance our corporate structure and earning power, so that we can continue to generate steady dividends for our shareholders. Based on our policy to pay steady dividends, and in consideration of our good business performance, an ordinary dividend of ¥10 per share is projected for this fiscal year, an increase from ¥9 per share in the previous fiscal year (consisting of an ordinary dividend of ¥8 plus a commemorative dividend of ¥1), in appreciation of our shareholders' support.

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

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

We acknowledge that reduction of minimum investment unit is an effective means to encourage individual investors to participate in the stock market, and improve the liquidity of stock. We have carefully examined the costs, effects, etc. of "stock split" and "revision of number of stocks per investment unit" in concrete terms following the increase in the stock price, but decided not to go ahead with them at this stage.

4. Target Management Performance Indicators and the Company's Medium/Long-term Management Strategies

We are currently pursuing a three year Medium-term Management Plan called "WIT21" (W: Wisdom, I: Intelligence and T: Technology), launched in April 2003. WIT21 first assumed that the Company's ten-year target is to achieve "consolidated operating income of ¥20 billion, gross sales-to-profit ratio of 15%, and earnings exceeding capital cost in the year ending March 31, 2013," based on the aforementioned long-term vision. As a steppingstone to reach this target, we set a medium-term target, that is, to achieve consolidated sales of ¥550.0 billion and consolidated operating income of ¥11.0 billion in the year ending March 31, 2006, the final year of WIT21. We have decided to give top priority to operating income as the performance indicator. This is based on the view that unlike indicators that can only be expressed in terms of percentage such as Return on Equity (ROE), operating income clearly represents the absolute value of and changes in the earnings performance of our core business, enabling us to clearly show our aims for business expansion and growth.

The target was attained a year earlier than initially planned: we generated ¥575.6 billion in consolidated sales and ¥13.2 billion in consolidated operating income in the year ending March 31, 2005, the second year of WIT21. We will continue to pursue WIT21 by revising the target upwards to ¥600.0 billion in consolidated sales and ¥16.1 billion in consolidated operating income for the year ending March 31, 2006, the final year of WIT21.

Our three basic strategies for the Medium-term Management Plan "WIT21" are as follows:

(i) Differentiate Nagase from the competition by strictly taking a customer-oriented approach;

(ii) Nurture and strengthen market-leading businesses; and

(iii) Make use of Nagase Group's functions and distinctive identity to create new businesses.

We aim to take advantage of our relationships developed over many years with approximately 6,000 excellent client companies and Nagase Group's research, development, manufacturing and marketing functions, and provide clients with superior services and products needed in the market by proactively making proposals and creating businesses, rather than merely serving as an intermediary.

These basic strategies will be implemented in the following priority business areas:

(1) Electronics;

(2) Life science;

(3) Automotive; and

(4) Overseas operations.

We will concentrate our management resources in these areas to increase earnings. We believe we can demonstrate our strengths in these four areas based on our existing business foundations. We also expect the market to grow substantially in these business areas.

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

5. Challenges to Be Made by the Company

(1) Enhancement of Strategic Business Areas

We are taking various measures in fields defined as strategic business areas, including business investment, in order to fulfill the Medium-term Management Plan "WIT21" and to increase earnings in the long run. Two out of three years subject to WIT21 have already passed. While we have outperformed the numerical targets set in the initial plan, we will continue to make efforts in order to become a company that truly continues to create businesses.

(Electronics)

The growth of our business in the electronics sector has been based on chemical-based agents for the production of semiconductors and liquid crystals and fine abrasives targeted at the electronics components industry, rather than on the electronics components themselves. In the process, we have enhanced our relationship with existing clients and expanded our scope of business into optical films for liquid crystals, liquid crystal modules, etc. We are also working on businesses relating to the processing of these products, in an effort to increase added value. We even sell hardware such as DVD players and final consumption goods such as movie software.

In order to promote such downstream operations, we need to reinforce our framework to enable sustained growth while minimizing the impact of rapid changes in the balance between demand and supply and price fluctuations. It will be important to utilize the knowledge gained from final consumption goods and other downstream sectors when expanding into upstream sectors such as agents and raw materials, and to keep the combination and balance between trading-house-oriented businesses and manufacturer-oriented businesses in an optimal state.

Further, we are globalizing the manufacturing functions of Nagase ChemteX Corporation (the biggest manufacturer in the Group), and striving to make our overseas manufacturing bases such as Nagase Finechem Singapore (Pte) Ltd. (a manufacturer of agents for semiconductors and liquid crystals) to contribute to consolidated earnings as soon as possible.

(Life Science)

Our life science business is wide ranging: while the pharmaceutical and agrichemical intermediates, bulk and materials business and enzyme-related fermented products form the core, we also sell reagents and diagnostic systems targeted at medical institutions, and even consumer products such as cosmetics and health foods. Among all strategic business areas, life science is the most manufacturer-oriented field for us.

In the pharmaceutical industry, massive development costs are incurred until a new drug is created nowadays, while the number of new drugs is decreasing. Pharmaceutical companies are engaged in competition through expansion of scale based on mergers and alliances on a global level, with the aim to secure the financial capacity required to develop new drugs. In addition, there is a growing demand to maintain health, prevent lifestyle-related diseases and provide desirable medical services, due to people's growing awareness of health, as medical expenses for the elderly and the burden of nursing expenses are expected to increase, driven by the increase in lifestyle-related diseases in line with the advancement of the aging society.

In these circumstances, we will continue to pursue high value-added products by applying proprietary technologies. We will aim to increase earnings based on technologies, by proposing to the market technologies for manufacturing various artificial amino acids, technology to apply rosemary extracts to cosmetics, and fermented products, health foods, etc. amid the growing fitness trend. We will also direct our efforts at expanding businesses with China and India, which are expected to experience substantial progress in the future.

(Automotive)

The scope of our business in the automotive sector is expanding into the business of integrating components designing with molding, and even into the business of purchasing and distributing raw materials and components on behalf of clients' overseas branches, based on the relationship we have built with superior clients by selling plastic materials, molding facilities, etc. to various automotive components manufacturers, including process manufacturers of automotive interior materials and manufacturers of exterior components such as headlamps. As overseas automotive production is expected to increase further in the years ahead, we are aiming to build a framework that can meet the requirements of global production systems of automakers who form our clientele, and to become a unique proposal maker that cannot be imitated by our rivals.

In the Chinese market, where most of our efforts are currently directed at, our important challenge is to not only promote sales activities through our local subsidiaries in Tianjin, Shanghai, Guangzhou, etc., but to also operate the already-established Nagase Plastics Design and Die (Tianjin) Company Ltd. on a full scale, and enhance mold-manufacturing functions. We plan to open a representative office of Guangzhou Nagase Trading Ltd. in Wuhan in inland China, and examine the business possibilities.

In North America and Europe, we will further reinforce the functions of our existing mold-related business and materials & products businesses. In Southeast Asia, we have expanded our business focusing on Thailand, and even launched a business based on assembling components in Indonesia and supplying them to other regions such as Europe. We are committed to maintaining and expanding these businesses in the future.

(Overseas Operations)

Our overseas operations are characterized by many branches in the ASEAN region, consisting of the so-called Greater China region (comprised of mainland China, Hong Kong and Taiwan) and Southeast Asia. Their strength lies in having many superior clients, including Japanese companies as well as local companies. In each region, we have a full-time resident executive officer taking charge of the region, thereby establishing a framework for speedy decision-making. In the process of further expanding our overseas activities in each segment, we will encourage collaborative efforts within the regions and further enhance our framework so that we can demonstrate our collective strength.

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

(Basic Approach to Corporate Governance)

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

(Implementation Status of Measures for Corporate Governance)

1) Status of Management Organization for Decision-making, Execution and Supervision relating to Corporate Management and Other Corporate Governance Structures

(1) Nature of Company's Institutions and Development Status of Internal Control System and Risk Management System

Upon the adoption of the Board of Auditors system, we introduced a corporate executive officer system in June 2001. The current management team consists of ten Directors (including one outside Director), nineteen Executive Officers (including eight Officers concurrently serving as Directors) and four Auditors (including two outside Auditors). The Board of Directors is clearly defined as *the body in charge of making decisions on management policies/strategies and supervising the execution of operations*. It convenes regular meetings of the Board of Directors on a monthly basis, resolves important matters, discusses the progress in business performance, examines measures and so on. Auditors audit the Directors' performance of duties in accordance with the auditing policies decided by the Board of Auditors and their respective share of responsibilities, including attending the meetings of the Board of Directors and other important conferences, and demanding subsidiaries to submit reports as necessary. Executive Officers participate in the General Managers' Meeting in relation to sales and the meeting of the Managers' Meeting in relation to administration, and decides concrete measures, etc. through discussions based on the reports about the current situations from each department. Additionally, we have established an advisory board based on the view that it is important to have the Company's management practices examined and checked objectively by two outside experts and listen to their advice.

Moreover, for compliance management, we established the Compliance Committee in 2001, followed by the Nagase Group Code of Conduct. We are striving to ensure compliance with laws and regulations and enhance corporate ethics, by making sure the Code is thoroughly understood by all officers and employees within the Group. We have established Rules for Compliance Help Desk, and set up a point of contact at the Compliance Committee's office and with outside lawyers where the Group's employees can directly report and consult about any conduct that they come across within the Company which may be problematic in terms of compliance, regardless of the occupational ladder. As for the risk management system, our Security Trade Control and Chemical Management Committee strictly enforces compliance in relation to freight and technology transactions that are restricted by export laws and regulations (such as the Foreign Exchange and Foreign Trade Control Law, which is partly aimed at maintaining international peace and security), as well as compliance with the Law Concerning Examination and Regulation of Manufacture and Handling of Chemical Substances, the Pharmaceutical Affairs Law, etc. Our Environment Protection Committee engages in activities in line with our Environmental Policies, i.e., (1) comply with environmental laws and regulations, (2) promote environmentally-friendly businesses, (3) coexist in harmony with society, (4) establish and continually improve environmental management systems, and (5) publicly disclose and make the relevant parties fully aware of the Environmental Policies.

(2) Internal Audit, Auditors' Audit and Accounting Audit Status

In order to ensure the effectiveness of audits, the Board of Auditors periodically exchanges information with the Audit Office in the internal audit division regarding internal audits and audits of domestic and overseas subsidiaries, and holds liaison meetings with auditors of subsidiaries twice a year. It also receives periodic reports on accounting items (including related internal control) from our accounting auditor Ernst & Young ShinNihon, and works with the accounting auditor including being present at audits conducted by the accounting auditor.

Audits by certified public accountants (CPAs) are conducted from a fair and impartial standpoint by nine audit staff members in total, including CPAs and junior accountants, in addition to the following designated employees.

Name of Audit Staff	Name of Audit Firm to which Audit Staff belongs
Designated employee Takayuki Nishida	Ernst & Young ShinNihon
Designated employee Yoshio Hayakawa	
Designated employee Kiyokazu Furuta	

(3) Officers' Remuneration and Audit Fee paid to Audit Firm

We paid remuneration to Directors and Auditors in the amount of ¥149 million and ¥47 million, respectively, excluding employees' salaries paid to employees who concurrently serve as Directors, amounting to ¥89 million.

The fee paid to our audit firm Ernst & Young ShinNihon consisted of ¥39 million as the fee for audit certificate based on the audit contract, and ¥1 million for other services.

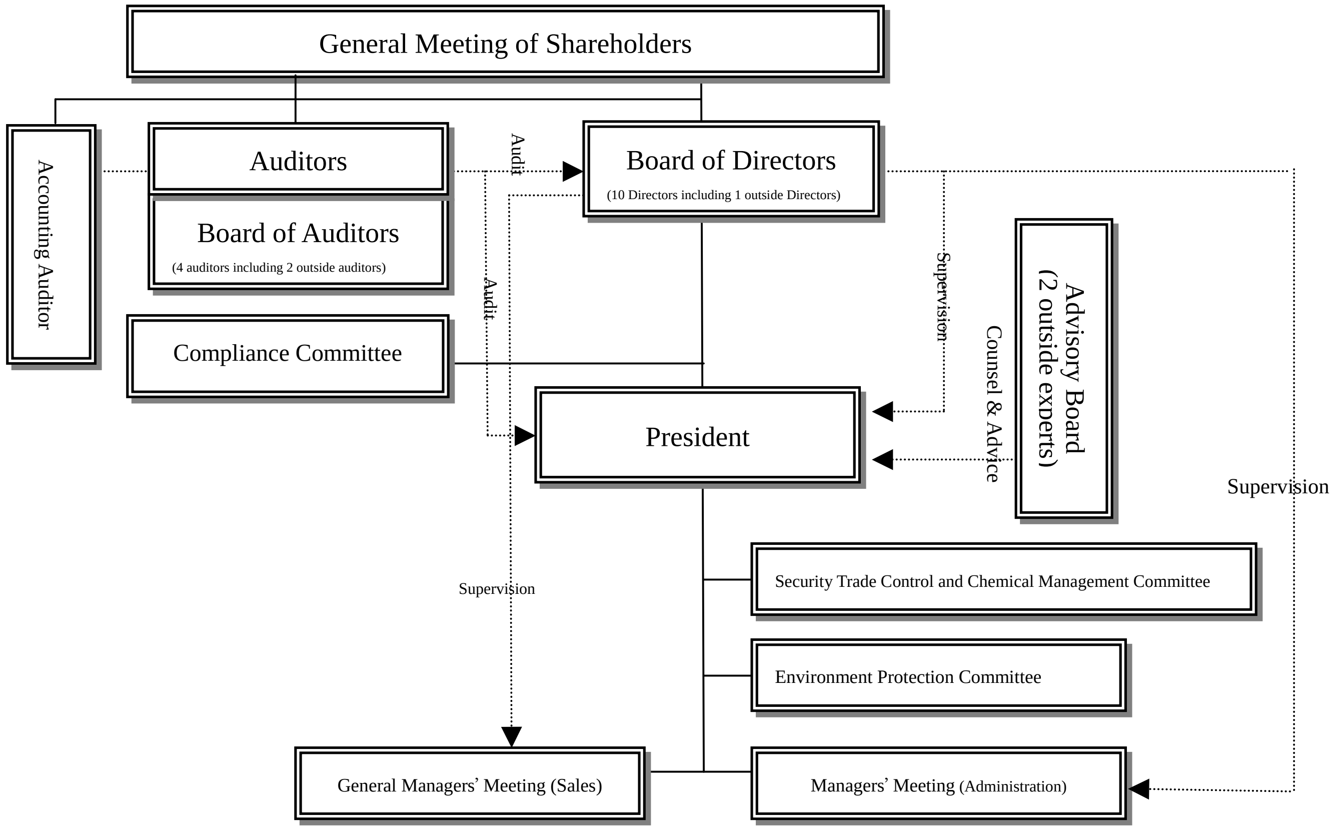
2) Summary of Personal, Equity, Business or Other Stakeholding Relationships between the Company and Its Outside Directors and Outside Auditors

There are no personal, equity, business or other stakeholding relationships between the Company and outside Director Haruyuki Niimi and outside Auditors Hideo Yamashita and Eisaku Kimura. At the Ordinary General Meeting of Shareholders scheduled in June 2005, we plan to invite Mr. Takuya Goto, Chairman of the Board of Directors of Kao Corporation, as a candidate for Director. Although there are chemical sales and purchasing transactions between Kao Corporation and Nagase, they are based on the same terms and conditions of transactions as other clients with whom we have no relationship.

3) Efforts Made to Enhance Nagase's Corporate Governance over Past Year

In order to comply with the Act for Protection of Computer Processed Personal Data held by Administrative Organs enforced in April 2005, the Group acknowledged the need to further strengthen its information management system and launched a working team in the Compliance Committee to take charge of measures to protect personal information in August 2004. We also established the Rules for Protection of Personal Information based on the Privacy Policy for Personal Information, and held study meetings targeted at officers and employees, in an effort to make them fully aware of the Rules. We will continue enhancing our information management system in order to fulfill our social responsibility.

Nagase's corporate governance structure is illustrated below.



7. Matters relating to Parent Company, etc.

Not applicable.

Business Results and Financial Position

I. Business Results

1. Overview of Fiscal Year

Overall Company Performance

In the fiscal year under review, the Japanese economy performed well overall, supported by the increase in exports and solid domestic demand driven by the strength of the world economy, despite the slowdown in some sectors in the latter half of the year. While the materials market experienced an uptrend due to the increase in crude oil prices, liquid-crystal-related components entered an adjustment phase as prices dropped due to concerns about oversupply.

We strived to improve our business performance under these circumstances, and consequently, sales increased 7.9% year-on-year to ¥575.63 billion, consisting of domestic sales in the amount of ¥363.7 billion, up 4.0% year-on-year, and overseas sales in the amount of ¥211.92 billion, up 15.3% year-on-year.

On the income front, operating income increased 29.4% year-on-year to ¥13.25 billion, partly attributable to the increase in sales, while recurring income increased 15.6% year-on-year to ¥15.15 billion despite the decrease in gains on investment subject to the equity method. Net income jumped 48.1% year-on-year to ¥10.38 billion due to the declaration of gains on the sale of non-current assets and investment securities.

Segment Summaries

[Chemicals] Sales: Year-on-year increase of 8.8% to ¥251.72 billion

The chemicals segment performed well, thanks to the increase in sales of chemicals with final applications in the computer peripherals sector and the automotive sector, in addition to the increase in sales of general-purpose chemicals partly driven by the uptrend in the materials market.

- In the color materials segment, where we run businesses related to “color”, pigments generally performed well, including growth industries where we have been concentrating our efforts, namely, ink materials and toner materials for printers and copiers, and materials for color filters used in liquid crystals. Sales increased overall, as chemicals used in plasma displays and DVDs increased, even though sales leveled off for color formers (i.e., materials for thermal and pressure-sensitive papers) and other chemicals for papermaking, as well as dyestuffs.
- There was an increase in sales of urethane materials used for cushioning (including automobile seats), especially overseas, as the effects of establishing joint ventures in China (one of our strategic business areas) became apparent. Sales of painting materials and additives for incombustible plastics also increased, especially overseas, where our efforts have been concentrated. Sales substantially increased overall, helped by the growth in sales of general-purpose chemicals due to the effects of the uptrend in the materials market.
- In the specialty chemicals segment, where we deal in materials of special chemicals such as surfactants for household toiletry products (e.g. detergents) and industrial-purpose oil solutions, steady sales were generated, especially in regards to products of Nagase ChemteX Corporation, the Group’s core manufacturing company.

- In the fine chemicals segment, where we deal in raw materials and intermediates for pharmaceuticals and agrichemicals, enzymes, etc., sales remained more or less the same overall. This was attributable to pharmaceuticals, which performed poorly in the first half but recovered in the second half to the previous year's level, and the growth of overseas sales of enzymes for beverage products and fragrance materials, while the sales of agrichemicals decreased due to the impact of business review aimed at improving profitability.

[Plastics] Sales: Year-on-year increase of 10.2% to ¥188.45 billion

In the plastics segment, the continued increase in overseas sales and the uptrend in the materials market pushed up sales.

- Overseas sales (mainly in Asia) of functional resins (engineering plastics) and general-purpose resins substantially increased, due to the continued good performance especially in the so-called Greater China region, where our overseas operations' efforts are concentrated.
- Sales of resin materials and components for the automotive industry and resin molding facilities substantially increased, due to sales contributions made not only in Japan and the Asian region including mainland China where we have expanded business bases, but also in North America and Europe. However, sales generated by Canada Mold Technology Incorporated, our North American mold manufacturer, decreased during the fiscal year under review.
- Sales of resin materials for casings, etc. of computer peripherals increased in Japan. Sales of materials and products for building materials and home facilities increased, assisted by the sales of our products based on laminated wood materials.
- Sales of resin materials targeted at the domestic packaging materials industry and consumer electronics industry did not increase sufficiently, despite the uptrend in the materials market. On the other hand, there was an increase in sales generated by Setsunan Kasei Co., Ltd., which is engaged in the plastic coloring and compounds business. Steady sales were generated by Totaku Industries, Inc., which manufactures various flexible hoses and pipes for consumer electronics and industrial purposes, including those used in vacuum cleaners and washing machines, as well as Kotobuki Industries Co., Ltd., which manufactures trays for food packaging.

[Electronics] Sales: Year-on-year increase of 3.1% to ¥122.63 billion

In the electronics segment, sales only increased slightly overall, due to the impact of the fall in price in the liquid crystals industry and the decrease in communication-equipment-related sales, despite the good performance of agents, equipment, fine abrasives, etc. targeted at the liquid crystals and semiconductor industries.

- Sales generated by the business centering on Nagase ChemteX Corporation's formulated epoxy resin increased overall, helped by the acquisition of new businesses targeted at the heavy electric machinery industry in China, even though domestic sales increased only slightly.
- There was an increase in sales generated by the business concerning photolithography agents used in

front-end liquid crystal and semiconductor processing and related feeding and management devices, as sales of devices substantially increased overseas, such as in Taiwan, especially in regards to products manufactured inside the Group.

- Sales in the semiconductor post-processing segment remained more or less the same as in the previous fiscal year overall, including Nagase ChemteX Corporation's liquid encapsulants and other high-value-added products based on our intensive efforts.
- Sales generated by our business concerning fine abrasives used in silicon wafer processing, etc. relating to semiconductors grew significantly, driven by the increase in both domestic and overseas sales.
- Sales generated by our business concerning optical films, etc. used in liquid crystals were flat overall; sales were steady in the first half but the slowdown in the liquid crystals industry led to a decrease especially in overseas sales in the second half.
- Sales generated by our business relating to components such as liquid crystal modules decreased due to the impact of fall in prices. On the other hand, there was an increase in sales generated by our business relating to aluminum used in casings of mobile electronic equipment, etc., as well as our consumer products business including DVD players and even movie software, where we are making intensive efforts as part of our drive to expand into downstream sectors from liquid crystals. However, the increase was not enough to offset the decrease in sales of components.
- Sales of components of power amplifiers, etc. used in base stations for mobile phones and Personal Handyphone System (PHS) decreased dramatically from the previous fiscal year; after the demand in China, etc. reached a saturation point, sales did not recover this fiscal year, even though we developed products adapted to next-generation models and made efforts in sales activities. Sales generated by our business relating to image processing and inspection equipment used in the manufacturing process of optical films, etc. increased steadily, albeit on a small scale.

[Healthcare and Others] Sales: Year-on-year increase of 7.2% to ¥12.82 billion

In healthcare and others, sales of cosmetics and health foods slightly increased, whereas sales generated by medical care and radiation dosimetry segments remained more or less the same as in the previous fiscal year.

- For cosmetics and health foods, we shifted our conventional door-to-door sales functions to Nagase Beauty Care Co., Ltd. last fiscal year, and directed our efforts at community-based sales activities. In skincare, sales did not increase sufficiently due to the decrease in existing products, despite the effects of the launch of new products.
- Sales remained more or less the same as in the previous fiscal year in the medical care segment, where we deal in reagents for clinical examination and medical information & clinical diagnostic systems targeted at medical institutions, as well as in the radiation dosimetry business relating to the safety management of radiation.

2. Forecast for the Next Fiscal Year

We expect to generate sales in the amount of ¥60 billion, operating income of ¥16.1 billion, recurring income of ¥17.4 billion and net income of ¥10.8 billion in the next fiscal year. The annual dividend is projected at

¥12 per share.

(Unit: million yen)

	Sales	Operating Income	Recurring Income	Net income
Year ending March 31, 2006	600,000	16,100	17,400	10,800
Year ending March 31, 2005	575,636	13,256	15,158	10,384
Year-on-year comparison	104.2%	121.5%	114.8%	104.0%

Our full-year forecast is calculated on the basis of information available at the time. However, the forecast may substantially differ from our actual performance, due to the impact of the prolonged surge in crude oil prices, the balance between demand and supply for electronic equipment such as liquid crystals, economic trends in the United States, countercyclical measures taken in China, and other unforeseeable changes in the economic climate and environment.

II. Financial Position

1. <u>Overview of Current Perios</u>

(1) Status of Consolidated Balance Sheet

Total assets increased ¥24.49 billion year-on-year to ¥335.29 billion, owing to increases in accounts receivable, inventory assets, etc.

Shareholders' equity increased ¥10.88 billion year-on-year to ¥167.09 billion, due to the increase in the declared amount of unrealized holding gains of other securities, in addition to retained earnings.

Consequently, the shareholders' equity ratio declined by 0.5 percentage points, to 49.8%.

(2) Status of Consolidated Cash Flow

Net cash provided by operating activities totaled ¥1.71 billion, primarily due to the increase in working capital, while income before income taxes and minority interests amounted to ¥17.55 billion.

Net cash used in investing activities totaled ¥14.1 billion, due to active capital investment, etc., which exceeded the gains on sales of some investment securities.

Net cash used in financing activities amounted to ¥5.11 billion due to the redemption of corporate bonds and the payment of dividends.

Consequently, the closing balance of cash and cash equivalents declined ¥3.81 billion year-on-year to ¥17.21 billion.

2. Trends in Cash Flow Indicators

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005
Shareholders' Equity Ratio	43.4%	48.0%	49.5%	50.3%	49.8%
Shareholders' Equity Ratio based on Market Value	21.0%	22.6%	23.2%	38.8%	40.8%
Debt Repayment Period	2.9 years	1.6 years	3.8 years	2.6 years	8.2 years
Interest Coverage Ratio	9.9	19.9	10.1	13.9	3.3

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

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

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

Interest Coverage Ratio = Operating cash flow / Interest payment

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

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

* Operating cash flow refers to net cash provided by operating activities in the Consolidated Statement of Cash Flows. Interest bearing debt refers to all debt for which interest is payable as declared in the Consolidated Balance Sheet. Interest payment refers to the amount of interest paid as shown in the Consolidated Statement of Cash Flows.

III. Operating Risks and Other Risks

The following describes major operating risks and other risks to which the Nagase Group is exposed, with the possibility of materially affecting investors' decisions.

Forward-looking statements in this Section are based on Nagase Group's judgment as of March 31, 2005.

(1) Impact of Exchange Rate Fluctuations

The Nagase Group carries out import and export transactions based on foreign currencies. Exchange rate fluctuations affect the yen-equivalent value of transactions denominated in foreign currencies. While the Nagase Group hedges these transactions using forward foreign exchange contracts in an effort to minimize the risks associated with exchange rate fluctuations, exchange rate fluctuations may still affect the Group's business performance and financial position. The Group also consists of companies incorporated in countries other than Japan that prepare their financial statements in foreign currencies. When converting their financial statements into Japanese yen for the purpose of preparing consolidated financial statements, there is a conversion risk associated with exchange rate fluctuations.

(2) Potential Risks of Overseas Activities

An increasing percentage of the Nagase Group's selling and manufacturing activities take place overseas, primarily in Southeast Asia, Europe, the United States and China. As a matter of policy, the Nagase Group makes every effort to determine local market trends in a timely manner and respond appropriately to them. However, the Group's business performance and financial position may be affected if any unforeseeable circumstances arise due to local legal restrictions, customs, etc.

(3) Impact of Stock Price Volatility

The Nagase Group holds a portfolio of stocks, primarily shares of client companies, which are exposed to risks attributable to stock price volatility. While the Nagase Group takes measures to reduce such risks by disposing of unnecessary shares, etc., they may still affect the Group's business performance and financial position.

(4) Risks associated with New Investments

The Nagase Group is expanding beyond its low-margin intermediary business, into high-value-added businesses. The Nagase Group is therefore actively investing in new businesses, purchasing strategic commercial rights and taking other such measures, by capitalizing on the advanced technology and information provided by the Nagase R&D Center and the Group's manufacturing subsidiaries. However, such measures are exposed to higher potential risks than the Group's conventional, low-risk intermediary businesses, which may affect the Group's business performance and financial position.

(5) Risks associated with Product Quality

The Nagase Group operates the Nagase R&D Center and manufacturing subsidiaries to provide higher added-value to customers, and pays utmost attention to the quality of the technologies and products they provide. However, in the event of any defects in their products, etc., the need to suspend sales or recall their products, etc. may affect the Group's business performance and financial position.

(6) Risk associated with Product Export Regulations

The Nagase Group exports a diverse array of products for a broad range of applications, mainly chemicals which are subject to laws and regulations partly aimed at maintaining international peace and security, including the Foreign Exchange and Foreign Trade Control Law and the Export Trade Control Order. The Nagase Group has established the Security Trade Control and Chemical Management Committee, and strives to assure compliance with such laws and regulations. However, in the event of any violation of such laws and regulations, restrictions imposed on business activities may affect the Group's business performance and financial position.

Summary of Non-Consolidated Financial Statements for the Year Ended March 31, 2005 April 28, 2005

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

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

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

Date of Board of Directors' Meeting for Settlement of Accounts: April 28,2005
Date of Regular General Meeting of Shareholders: June 28, 2005
Interim Dividend System: No Unit Stock System: Yes (1 unit=1,000 shares)

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

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

	Net Sales		Operating income		Recurring income		Net income	
	¥millions	%	¥millions	%	¥millions	%	¥millions	%
Year ended March 31, 2005	442,304	(2.0)	5,181	22.9	8,502	10.9	6,007	11.8
Year ended March 31, 2004	433,817	(3.8)	4,217	32.9	7,663	14.9	5,373	377.1

	Net income per share	After adjustment for latent shares	Return on equity (ROE)	Return on assets (ROA)	Sales-ordinary income ratio
	¥	¥	%	%	%
Year ended March 31, 2005	46.67	46.57	4.9	3.3	1.9
Year ended March 31, 2004	41.84	―	4.8	3.2	1.8

Notes: 1. Average number of shares during accounting period
Year ended March 31, 2005: 127,312,351 Year ended March 31, 2004: 127,238,463
2. Changes to accounting policies: Yes
3. The percentage figures for sales, operating income, recurring income and net income represent increases (decreases) relative to the previous year's result

(2) Dividends

	Dividend per share			Total annual dividend	Dividend propensity	Dividend-shareholders' equity ratio
		Interim	Final			
	¥	¥	¥	¥millions	%	%
Year ended March 31, 2005	10.00	―	10.00	1,274	21.4	1.0
Year ended March 31, 2004	9.00	―	9.00	1,145	21.5	1.0

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

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥millions	¥millions	%	¥
Year ended March 31, 2005	259,654	126,294	48.6	990.78
Year ended March 31, 2004	253,810	119,850	47.2	941.65

Notes: 1. Shares issued and outstanding at end of accounting period
Year ended March 31, 2005: 127,403,838 Year ended March 31, 2004: 127,224,518
2. Treasury stock at the end of accounting period
Year ended March 31, 2005: 11,004,447 Year ended March 31, 2004: 11,183,767

2. Forecasts for the Year Ended March 31, 2006 (April 1, 2005 - March 31, 2006)

	Net Sales	Recurring income	Net income	Annual dividend per share		
				Interim	Final	
	¥millions	¥millions	¥millions	¥	¥	¥
Interim	229,000	6,000	3,800	―	―	―
Whole Year	459,000	10,200	6,400	―	12.00	12.00

Reference: Net income per share is projected to reach ¥49.72

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