

**Briefing Session on Financial Results for
Year ended March 31, 2005**

**The Technology & Intelligence Oriented Company
That Turns Wisdom into Business**



Nagase & Co., Ltd
May 19, 2005



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Financial Highlights for FY2004
Fiscal Year ended March 31, 2005

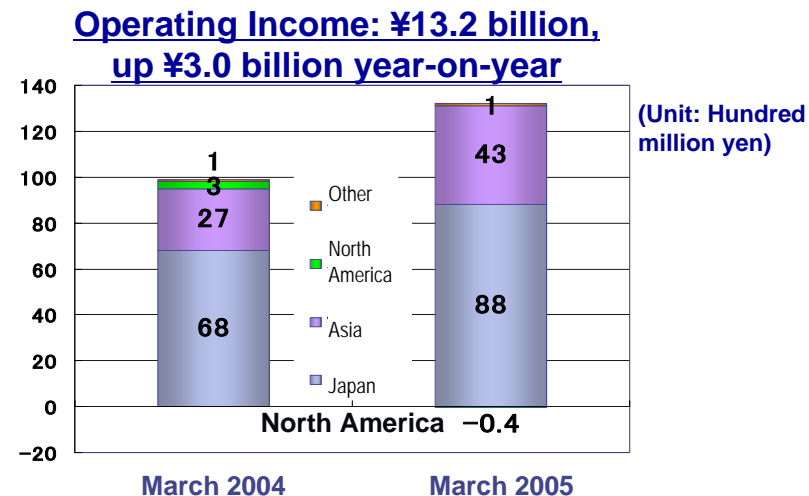
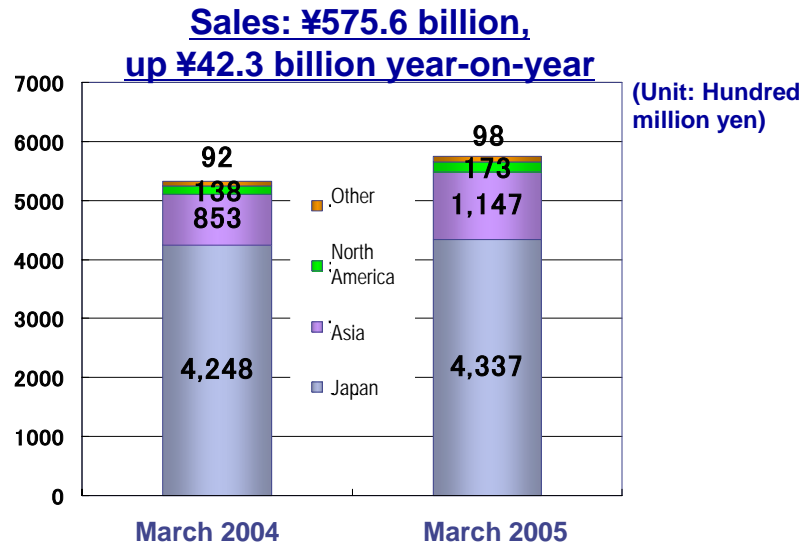
Overview of Consolidated Business Performance

(Unit: Hundred million yen)
(Figures are rounded down to the nearest hundred million yen)

	March 2005	March 2004	Increase (Decrease)	Year-on- year Comparison	Comments
Net Sales	5,756	5,333	+423	108%	Substantial increase in overseas sales Continued increase in domestic sales
Gross Profit	619	534	+84	116%	Increase in sales
Operating Income	132	102	+30	129%	Increase in sales and gross profit New consolidation
Ordinary Income	151	131	+20	116%	Decrease in gain on investment subject to equity method
Net Income before Tax	175	117	+58	150%	Extraordinary Income <ul style="list-style-type: none"> ▪ Gain on sale of property, plant and equipment ¥2.0 billion ▪ Gain on sale of investment securities ¥1.5 billion
Net Income	103	70	+33	148%	Extraordinary Loss <ul style="list-style-type: none"> ▪ Loss on valuation of investment securities, etc. ¥400 million ▪ Loss due to impairment ¥300 million
Earnings Per Share (EPS)	¥81.00	¥54.69	+¥26.31	148%	

Net Sales and Profit by Geographic Segment

(Figures are rounded down to the nearest hundred million yen)



Review of Sales by Geographic Segment

Japan + ¥8.8 billion (102%)

■ Increase in non-consolidated sales

Asia + ¥29.3 billion (134%)

(including East Asian region e.g. China
+ ¥25.2 billion
ASEAN region + ¥4.1 billion)

■ Increase in sales in Greater China region

■ Six newly-consolidated companies (inc. two companies in Shanghai, China)

North America + ¥3.4 billion (125%)

■ Increase in sales of automotive-related plastics in USA

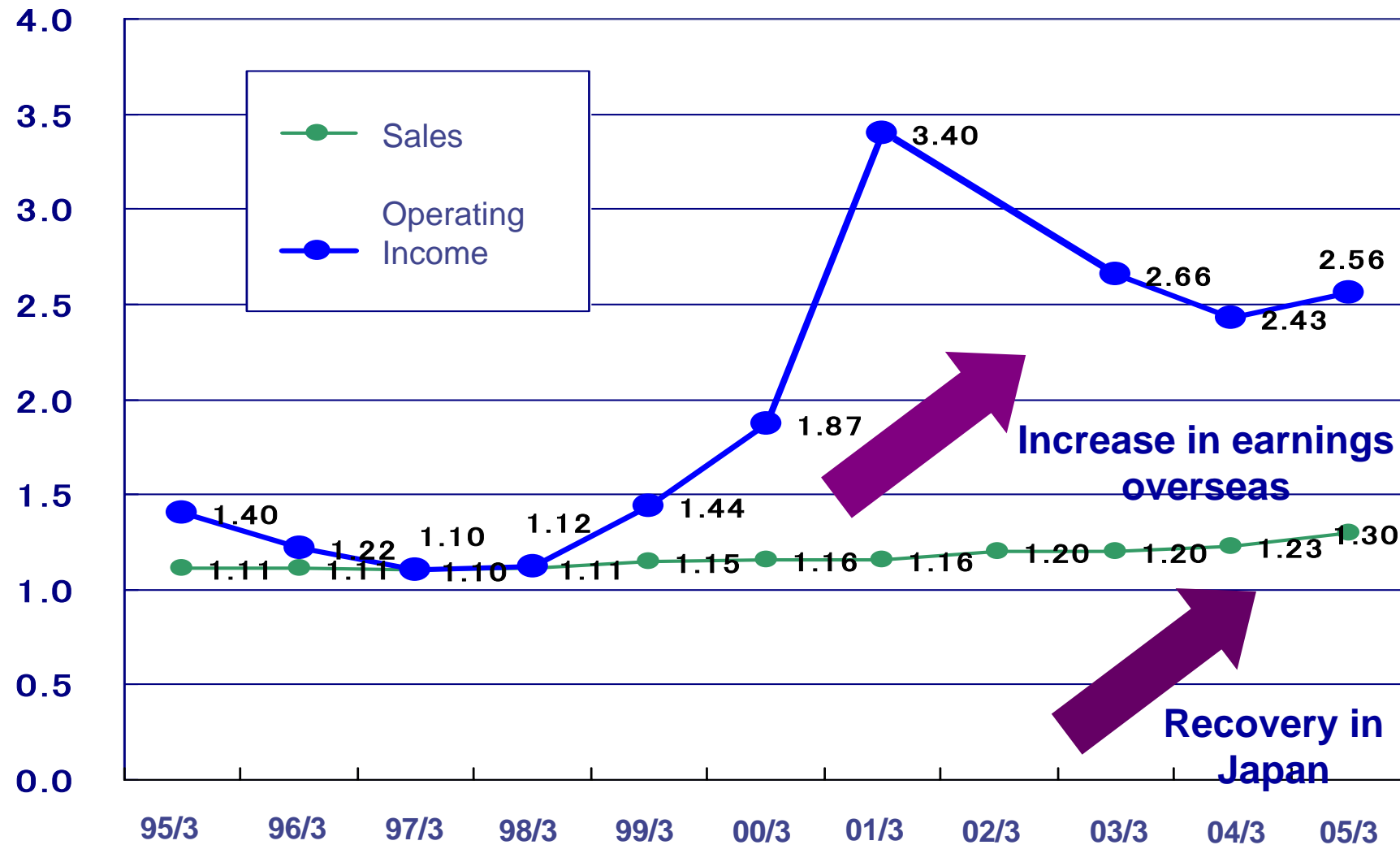
■ Poor performance of molding business in Canada

Other + ¥600 million (107%)

■ Increase in sales of chemicals in Europe

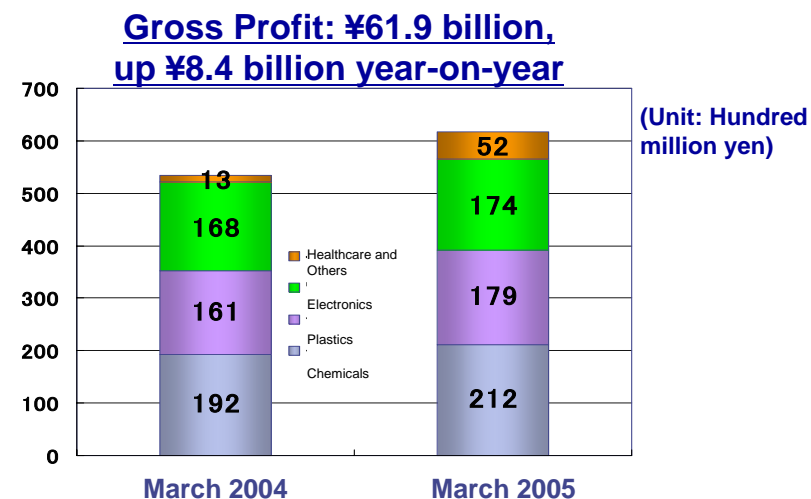
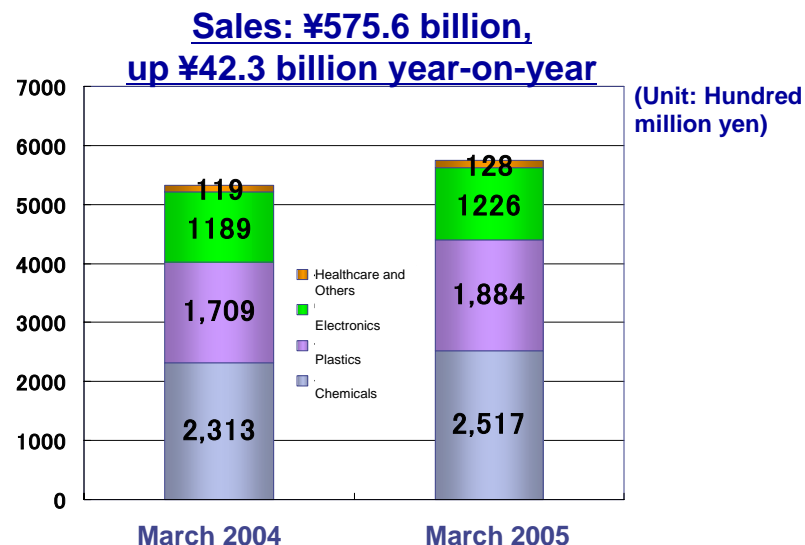
Trends in Consolidated to Non-consolidated Ratio

(Unit: times)



Net Sales and Profit by Business Segment

(Figures are rounded down to the nearest hundred million yen)



Review of Sales by Business Segment

Chemicals + ¥20.3 billion (109%)

- Increase in sales of chemicals used in digital appliances
- Good performance of materials such as general-purpose chemicals

Plastics + ¥17.4 billion (110%)

- Continued increase in sales in Greater China region
- Good performance of automotive applications

Electronics + ¥3.6 billion (103%)

- Good performance of LCD and semiconductor agents and devices
- Increase in sales of fine abrasives
- Decrease in sales of LCD modules and communication equipment

Healthcare & Others + ¥800 million (107%)

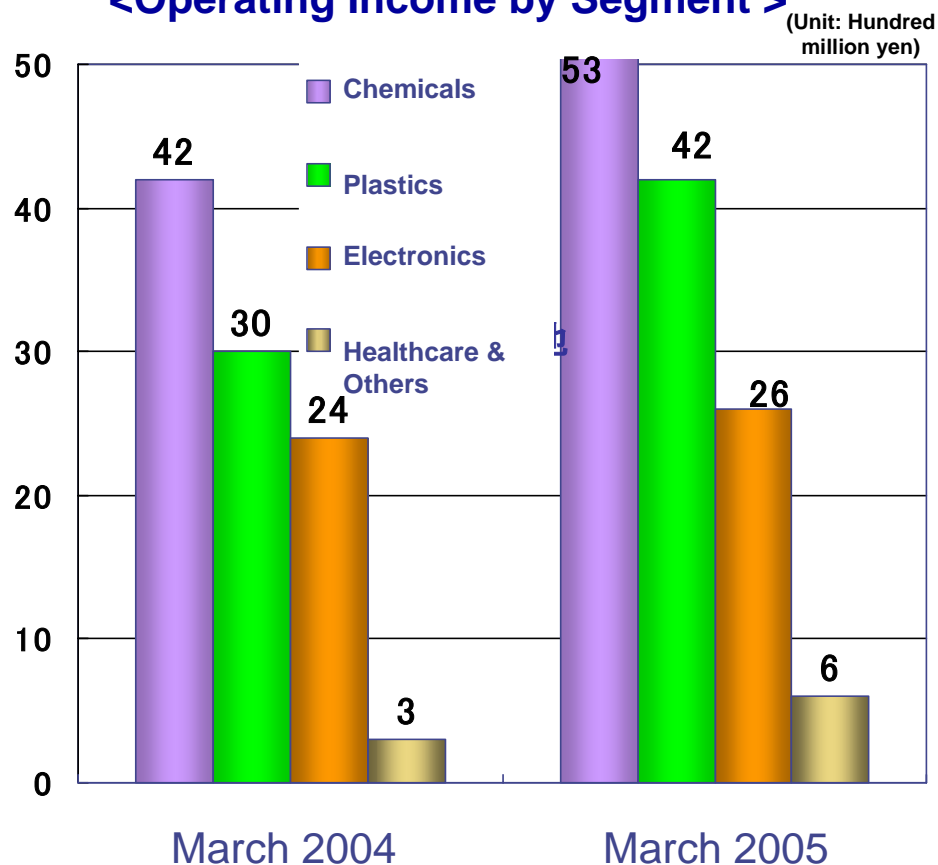
- Slight increase in sales of cosmetics and health foods
- Sales in medical and radiation dosimetry similar to previous year's level

Operating Income

(Figures are rounded down to the nearest hundred million yen)

¥13.2 billion, up ¥3.0 billion year-on-year (129%)

<Operating Income by Segment >



Review of Operating Income

Chemicals

■ Increase in sales and improvement in ratio of operating income to sales

(1.8% → 2.1%)

Plastics

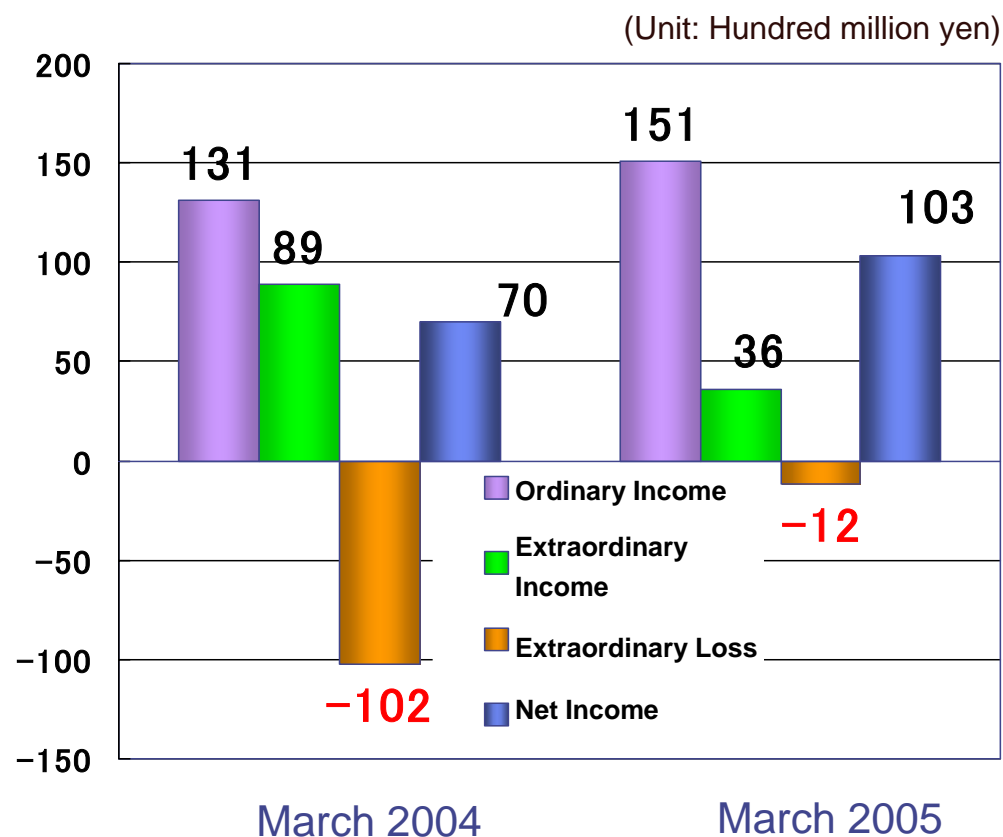
■ Increase in sales and improvement in ratio of operating income to sales

(1.8% → 2.3%)

Ordinary Income and Net Income

(Figures are rounded down to the nearest hundred million yen)

Ordinary Income: ¥15.1 billion, up ¥2.0 billion year-on-year (116%)



Ordinary Income: ¥15.1 billion + ¥2.0 billion

- Operating Income +¥3.0billion
- Decrease in gain on investment subject to equity method -¥100 million

Extraordinary Income: ¥3.6 billion

- Gain on sale of property, plant and equipment ¥2.0 billion
- Gain on sale of investment securities ¥1.5 billion

Extraordinary Loss: ¥1.2 billion

- Valuation loss on investment securities and equity contribution ¥400 million
- Loss due to impairment (2 cases) ¥300 million

Net Income: ¥10.3 billion + ¥3.3 billion

Major Changes in Balance Sheet

(Unit: Hundred million yen)
(Figures are rounded down to the nearest hundred million yen)

Increase in accounts receivable and inventories due to growth in sales

《Assets》	March 2005	March 2004	Increase (Decrease)	《Liabilities & Shareholders' Equity》	March 2005	March 2004	Increase (Decrease)
Cash and time deposits	178	216	(37)	Notes and accounts payable	1,106	990	+116
Notes and accounts receivable	1,733	1,592	+141	Short-term loans	105	76	+28
Inventories	363	273	+89	Bonds due within one year	—	70	(70)
Other current assets	71	66	+5	Other fixed liabilities	200	177	+23
Tangible noncurrent assets	296	269	+26	Long-term debt	34	17	+17
Investments in securities	658	633	+25	(Interest-bearing debt)	140	164	(23)
Other fixed assets	50	56	(5)	Other noncurrent liabilities	186	171	+14
				Minority interests	48	41	+6
				Shareholders' equity	1,670	1,562	+108
				(including treasury stock)	(59)	(59)	(0)
				(Shareholders' equity ratio)	(49.8%)	(50.3%)	
Total assets	3,352	3,107	+244	Total liabilities, minority interests and shareholders' equity	3,352	3,107	+244

Cashflow Status

Increase in income before taxes, redemption of bonds

(Unit: Hundred million yen)

	March 2005	Remarks	
Net cash from operating activities	17	Income before taxes	¥17.5 billion
		Working capital	(¥10.1 billion)
		Payment of income taxes	(¥4.3 billion)
Net cash used for investing activities	(14)	Sales/acquisition of investment securities	¥1.9 billion
		Sales/acquisition of property, plant and equipment	(¥4.1 billion)
Net cash used for financial activities	(51)	Long-term debt	¥2.3 billion
		Redemption of bonds	(¥7.0 billion)
		Payment of dividends	(¥1.1 billion)
Closing balance of cash and cash equivalents	172	Year-on-year decrease of ¥3.8 billion	

Performance of Major Consolidated Subsidiaries

(Unit: million yen)
(Figures are rounded down to the nearest million yen)

	Company Name	Net Sales	Year-on-year Comparison	Operating Income	Year-on-year Comparison	Net Income	Year-on-year Comparison
Parent Company	Nagase & Co., Ltd.	442,304	102	5,181	123	6,007	112
Manufacturing Subsidiaries	Nagase ChemteX Corp.	21,011	99	1,105	108	620	89
	Totaku Industries, Inc.	7,377	104	467	91	1,335	240
Sales Subsidiaries	Nagase Plastics Co., Ltd.	11,890	107	91	229	52	222
	Hoei Sangyo Co., Ltd.	13,368	98	185	—	96	—
	Nagase Colors & Chemicals Co., Ltd.	13,729	100	161	617	83	—
Overseas Subsidiaries	Nagase (Hong Kong) Ltd.	32,621	110	1,062	145	879	141
	Nagase Singapore (Pte) Ltd.	29,777	96	609	134	617	—
	Nagase (Thailand) Co., Ltd.	17,337	118	680	120	511	107

Performance Forecasts for FY2005

Year ending March 31, 2006

Performance Forecasts for Year ending March 31, 2006

(Unit: Hundred million yen)
(Figures are rounded down to the nearest hundred million yen)

	Year ending March,31 2006 (Forecast)	Year ended March 31, 2005 (Results)	Year-on-year Comparison (%)	Increase (Decrease)
Net Sales	6,000	5,756	104	+243
Gross Profit	650	619	105	+30
Selling, General & Administrative Expenses	489	487	100	+1
Operating Income	161	132	122	+28
Non-operating Income/Expenses	13	19	68	(6)
Ordinary Income	174	151	115	+22
Net Income	108	103	104	+4

* Figures were calculated assuming an exchange rate of US\$1.00 = ¥102.

Performance Forecasts for FY2005 by Segment

(Unit: Hundred million yen)
(Figures are rounded down to the nearest hundred million yen)

	Net Sales		
	Year ending March 31, 2006 (Forecast)	Year ended March 31, 2005 (Results)	Year-on-year Comparison (%)
Chemicals	2,600	2,517	103
Plastics	1,950	1,884	104
Electronics	1,320	1,226	108
Healthcare and Others	130	128	101
TOTAL	6,000	5,756	104

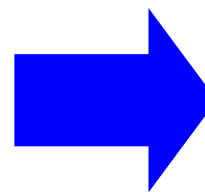
**Measures Taken in FY2005 and
Management Policies for FY2006**

Achieved Numerical Targets under “WIT21” Earlier than Expected

Achieved Initial Targets

Results of Fiscal Year ended March 31, 2005

- Consolidated Net Sales ¥575.6 billion
- Consolidated Operating Income ¥13.2 billion



Achieved both numerical targets under “WIT21” a year earlier

Achieved a year earlier

Revised Numerical Targets for Final Year

Business Performance Forecast for Fiscal Year ending March 31, 2006

- Consolidated Net Sales ¥600 billion (initial target: ¥550 billion)
- Consolidated Operating Income ¥16.1 billion (initial target: ¥11 billion)

Goals in 10 Years Time (set in March 2003)

- Consolidated Operating Income ¥20 billion
- Gross profit margin 15%
- Securing earnings in excess of capital costs

**Business Reform and Creation of
New Business Still in Progress**

Basic Strategy of “WIT21”

- (1) Differentiate Nagase from the competition by strictly taking a customer-oriented approach**
- (2) Nurture and strengthen market-leading businesses**
- (3) Make use of Nagase Groups’ functions and distinctive identity to create new businesses**

Strategic Business Areas of “WIT21”

Electronics

Life Science

Automotive

Overseas Operations



Continue implementing qualitative management strategies under “WIT21”

Specific Examples of New Businesses



▲PLUSWOOD business
(laminated wood materials)



▲DVDirect
(<http://direct.nagase.co.jp/home>)



▲ Portable DVD player

Main Activities in Strategic Business Areas of “WIT21”

Electronics

- Photolithography chemicals/4 bases in Asia (Japan, South Korea, Taiwan and Singapore)
- Components processing business in South China/Nagase International Electronics Ltd.
- Expansion of formulated epoxy business in China/Nagase ChemteX (Wuxi) Corp.
→ Commitment to taking initiative through original merchandise

Life Science

- Manufacturing functions: Nagase ChemteX Corporation (c-GMP facilities), Nagase Pharmaceuticals, etc.
- R&D functions: Joint research between Nagase R&D Center and universities
→ Integration with trading firm functions

Automotive

- Enhancement of sales bases: Additional bases in China (Guangzhou, Tianjin, etc.), total of 27 bases overseas
- More partners: Kasai Kogyo, Kurabo, Toyo Quality One, Sanko Gosei, etc.
- Expansion of components design/molding business overseas (D&D-USA, Tianjin)
→ Focus on resin materials to expansion of business domain into peripherals

Overseas Operations

- Efforts targeted at Asia centering on Greater China region where we can demonstrate our strengths
- Dedicated and resident CEO (Greater China, ASEAN)
- Sales trends in Greater China region
¥72 billion (FY2002) → ¥89 billion (FY2003) → ¥110 billion (FY2004)

Reorganization of Corporate Framework aimed at Raising Awareness

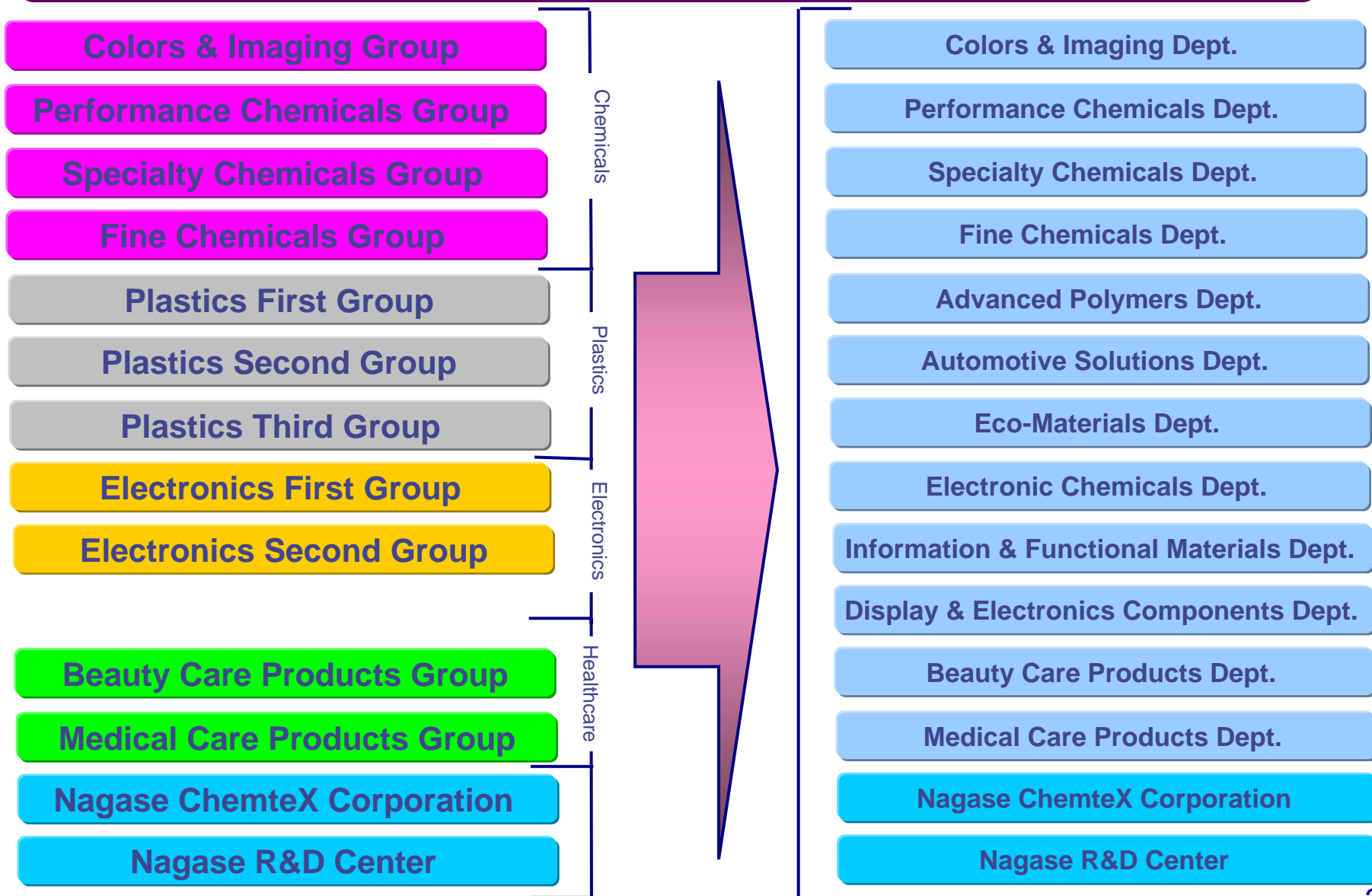
Shift towards Flat Organization (Implemented in April 2004)

- Flat organization with 13 sales departments (branches & offices) in parallel with each other
 - Collaborative framework focusing on strategic business areas (electronics, life science, automotive and overseas operations)
 - Reform towards global optimization (elimination of suboptimization)
 - Industry-oriented approach (Industries in each strategic business area)
 - Development of strategies for large projects

Renaming of Departments and Clarification of Directors' Responsibilities (Implemented in April 2005)

- Reform of *merchandize-oriented* organization into a *customer & market-oriented* organization
- Elimination of “turf-conscious” behavior inside the Company and promotion of collaboration
- Directors required to develop plans for businesses from a company-wide perspective beyond the scope of their respective business lines
- Foundations laid for creation of new businesses through such reorganization
- Extensive discussions held at meetings of the Board of Directors about entry into new businesses and risk management

New Framework effective April 2005 (From “merchandise” to “market & customers”)



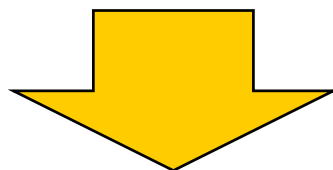
Corporate Governance

Disclosure to shareholders & investors, transparent management

Enhancement of auditors' functions, monitoring of management

Extensive risk management in investment projects

Firm establishment of executive officer system, appointment of outside directors



Always take a long-term, objective approach to business management

Clarify Directors' roles and stimulate business management

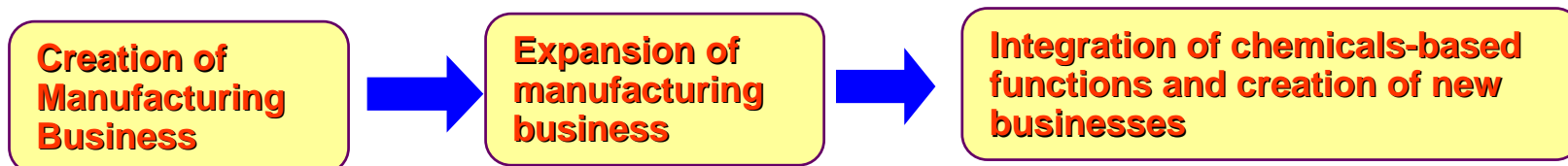
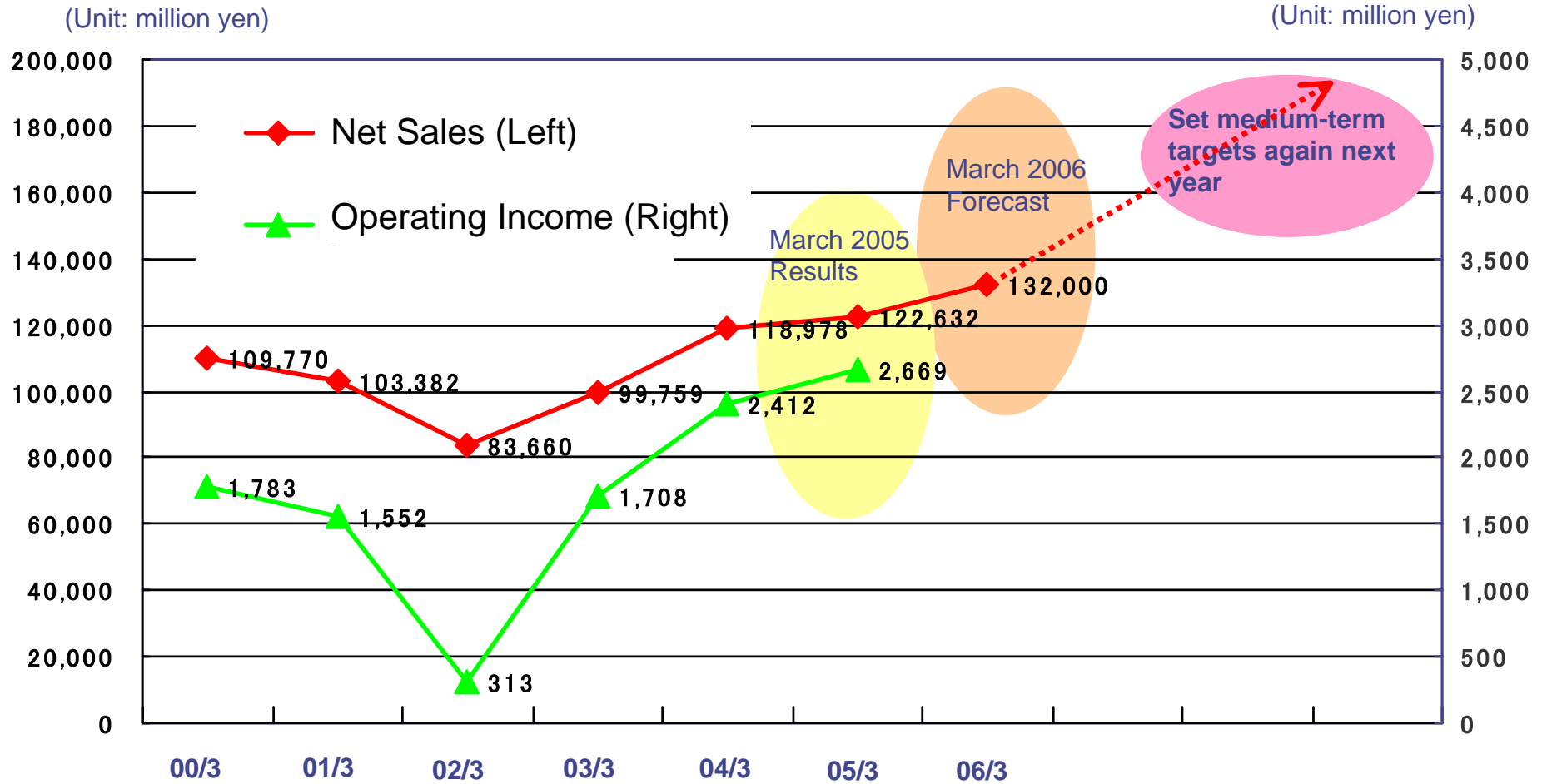
Topics

Nagase's Electronics Business

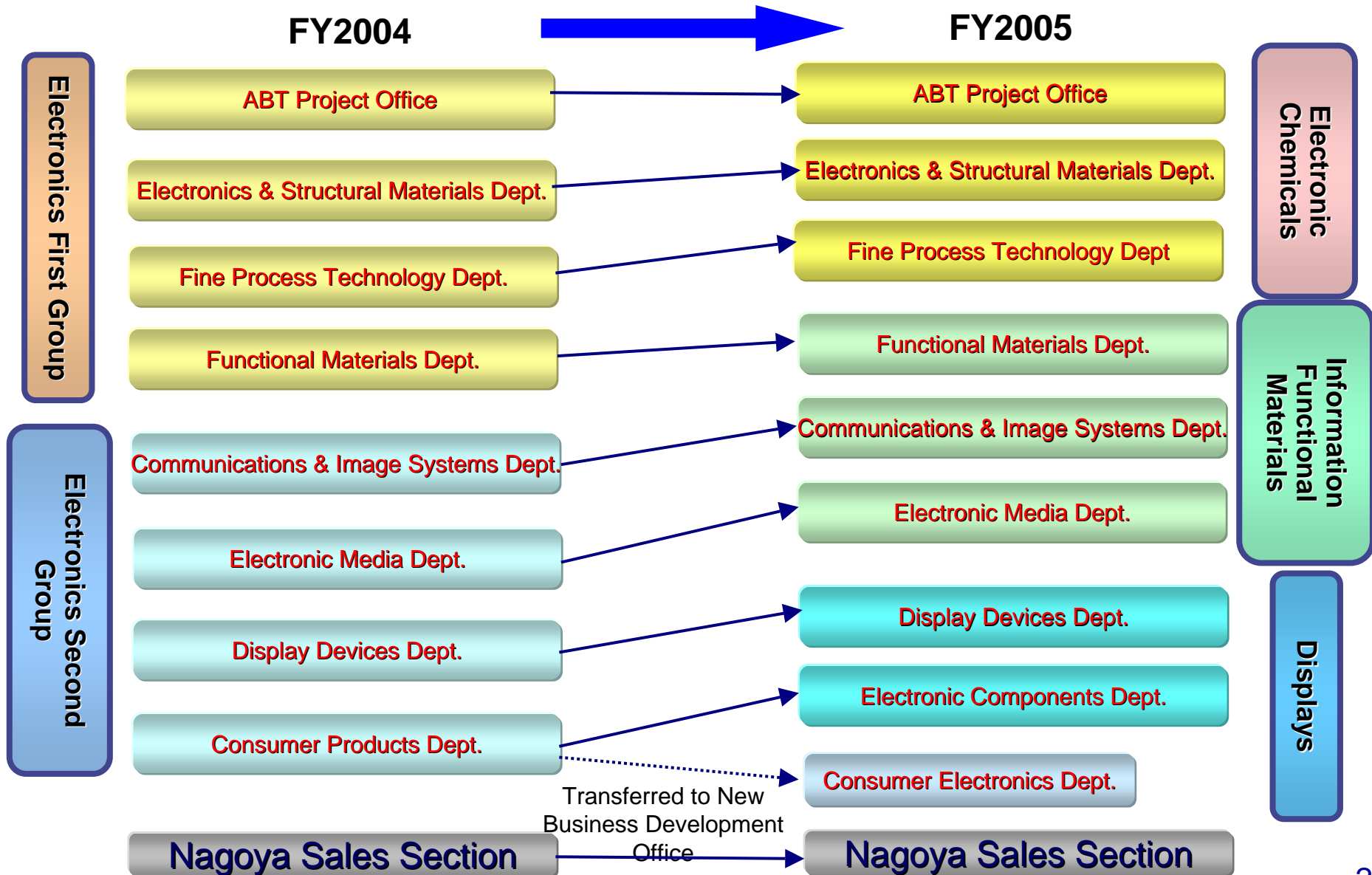
Kazuo Nagashima

Director in charge of
Electronics Business

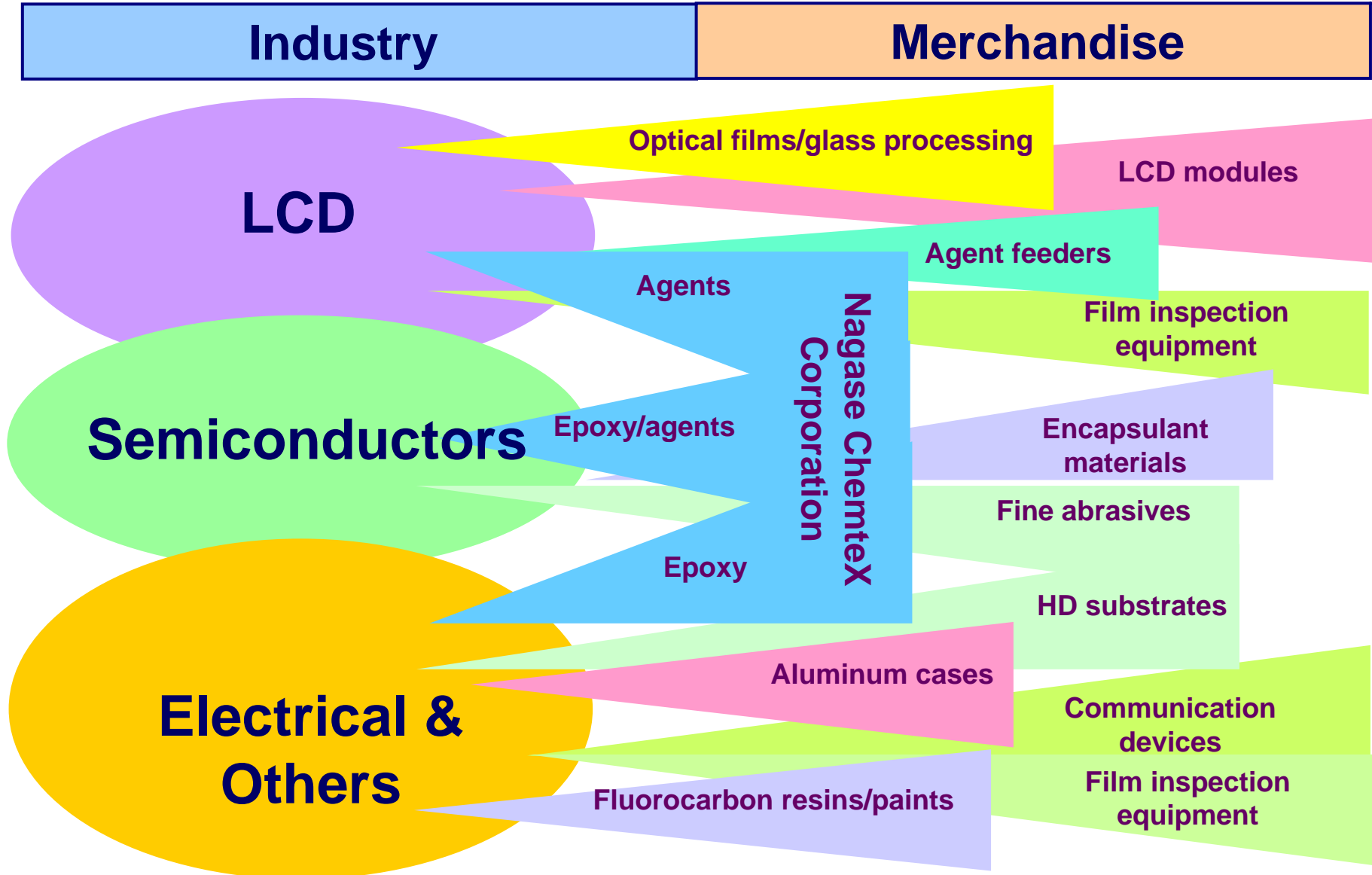
Net Sales and Operating Income of Electronics Segment



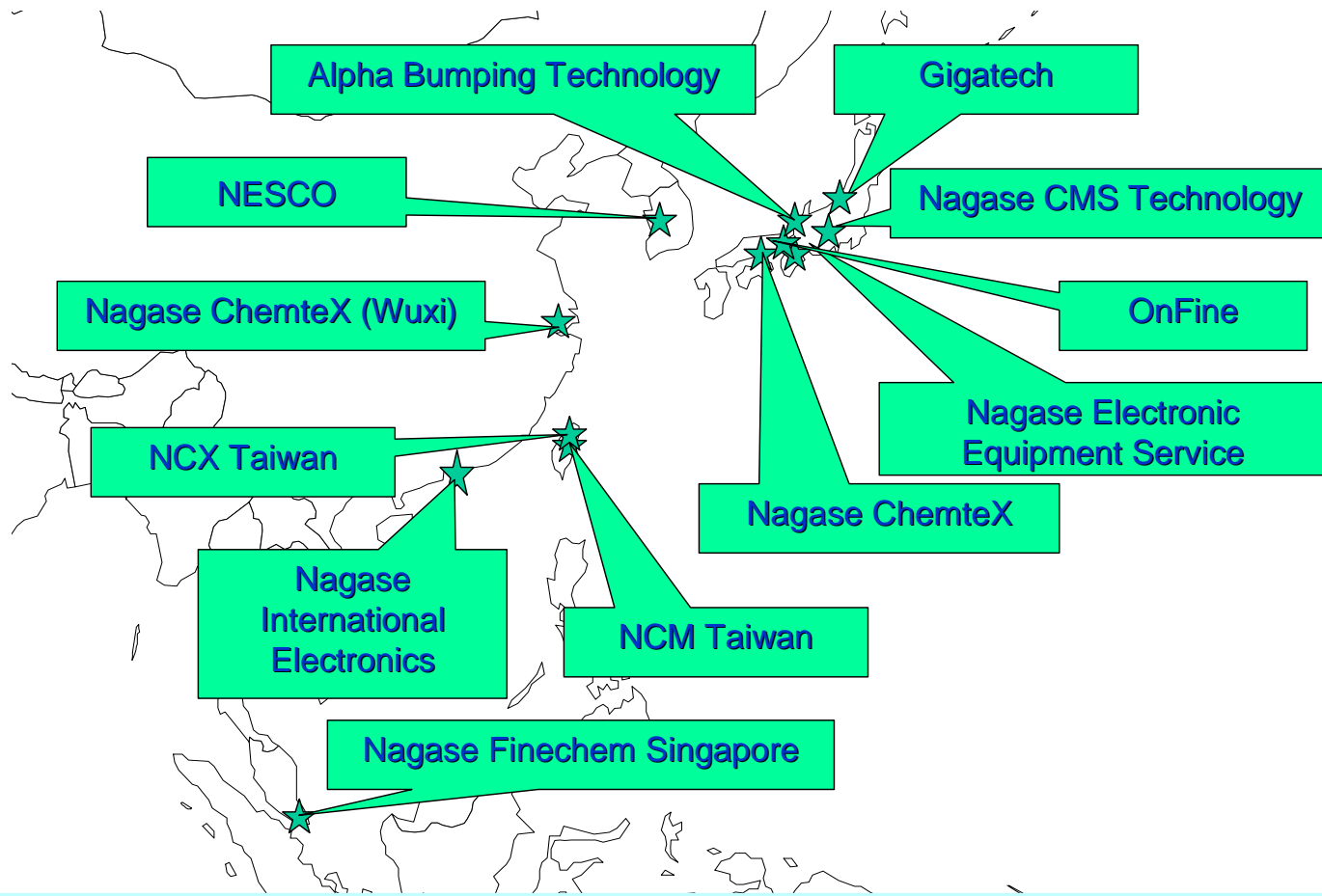
Reorganization associated with Company-wide Restructuring



Business Domain and Key Merchandise



Globalization of Production Plants



Strength in Ability to Fully Utilize Networks as a Global Trading Firm

Main Production Plants of Nagase's Electronics Business



▲ Gigatech



▲ Nagase Finechem Singapore



▲ Nagase ChemteX (Wuxi) Corp. engaged in production of electronics materials and adhesives

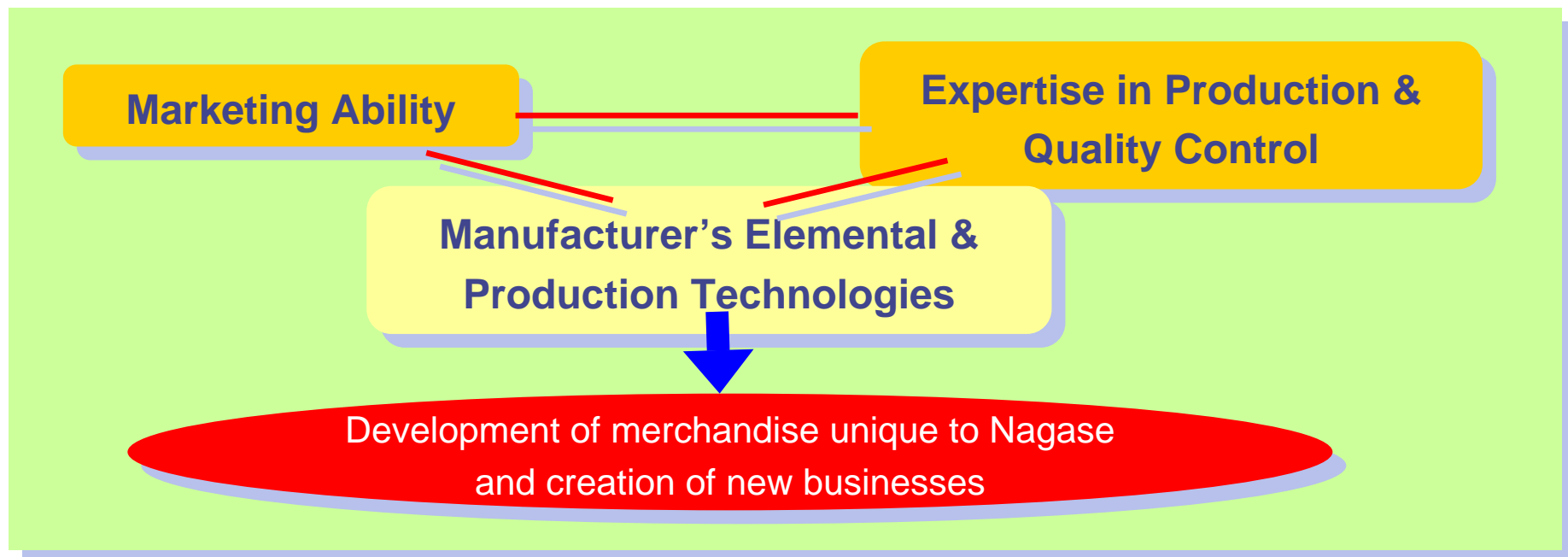


▲ Devices production in South China (Nagase International Electronics Ltd.)

Characteristics and Strengths of Nagase's Electronics Business

Many of our employees have a technical background, with the ability to communicate with client technicians on the same level

Can increase added value through our own manufacturing division



Two Foundations of Nagase's Electronics Business

Consolidated net sales Approx. ¥30 billion

Consolidated net sales Approx. ¥80 billion

Epoxy business

Photolithography chemicals business

CMS equipment business

SCANTEC business

Casings of electronic appliances

Optical films & glass substrates processing business

Optical films

Fluorine

Abrasives

LCD modules

Encapsulant materials

Original Businesses

Dealing Businesses

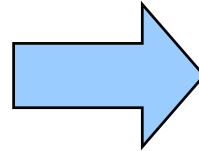
Establishment of business model

Expansion & enhancement of core business

Future Business Plan

Basic Strategy

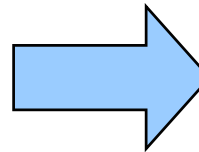
Create original businesses



Establish new corporate status

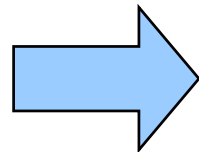
Business Expansion

Increase sales especially overseas



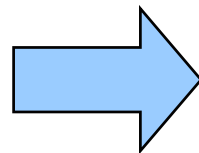
**Utilize trading firm functions and networks
Utilize expertise in overseas production**

Priority businesses



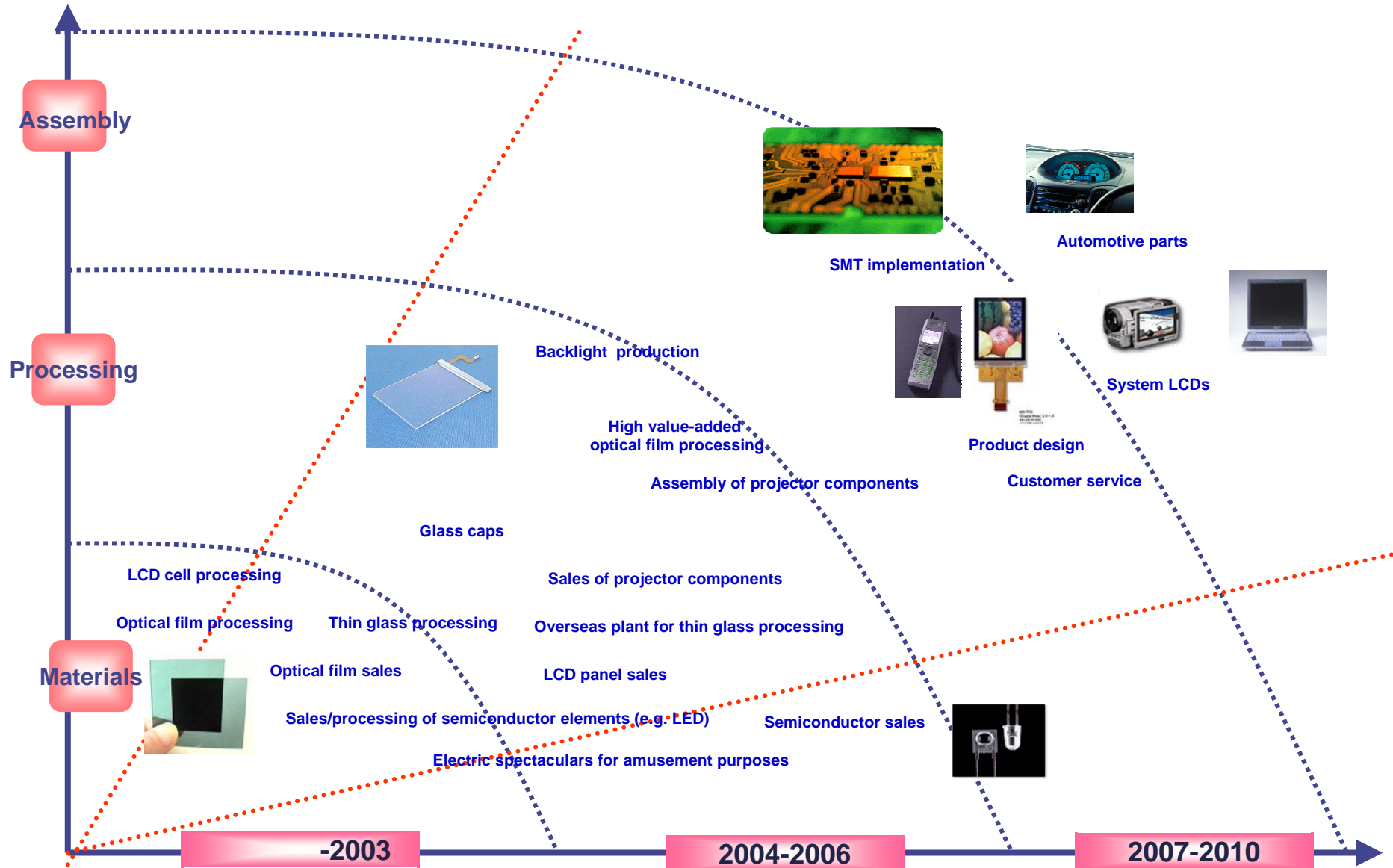
Device assembly, materials processing

Diversify production systems



**Own factory, partner companies,
fables production**

Expansion of Displays Business



Expansion of Business of Nagase International Electronics Ltd. (NIEL)

- Established production plant close to customers (South China region), in the end users' locality.
- Consistent quality assured through close technical cooperation with partners
- Processes and produces materials utilizing cost advantage in Hong Kong and South China region
- Utilizes Nagase Group's sales channels in ASEAN



[Baoan Plant]

LCD panel assembly

Glass cutting, liquid crystal injection, encapsulation, lighting inspection, polarization plate laminating



[Guanlan Plant]

Optical film processing

Laminating, cutting, punching, inspection



[福永 Plant]

Backlight assembly

Molding, assembly

The Technology & Intelligence Oriented
Company That Turns Wisdom into Business



Nagase & Co., Ltd

This presentation includes forecasts based on certain assumptions, projections and plans for the future as at May 19, 2005. Please note that the actual business performance may differ from the forecasts stated herein, due to risks and uncertainties associated with the global economy, state of competition, exchange rate volatility and other factors.