

Consolidated Brief Financial Report (03/2000)

(1) Management policy

1. Basic policy of management

Management Philosophy

Nagase Group as a member of society will do the best to contribute to the society and improve the welfare of its employees through further development of the Group by providing products and services demanded by the society through its good and fair business practices.

Keeping in mind of the above Management Philosophy, we make our new management vision for 21st century clear as "The Technology and Intelligence Oriented Company that turns our wisdom into business".

This vision is based on an idea "that every answer is in each market" and thorough customer-oriented in developing business with our own "technology" and "information" furthermore experience-added Wisdom not adhering to traditional concept of "a trading firm".

Although the beginning of economical recovery can be finally , a market is demanding us a steady continuous change making impossible to rest on stable commercial rights. Recognizing we live in the time that simple intermediate function in business is no longer effective, we think it is now the time that any kind of enterprise can not fulfill function by oneself independent from others. It is imperative for us to hold every necessary functions that let our customer select us as a reliable partner without hesitation when they are creating new value. It is necessary to substantiate R&D and manufacturing function, reinforce a physical distribution efficiency, and keep to expand a friendly relationship with people of many long-established domestic and overseas business connections, and , above all, to build up our own human resources. Selecting the business area based on the above line, we will steadily continue to offer constant proposal for the market.

2. Basic policy about profit distribution.

While intensifying our corporate strength and securing retained earnings for future business development, our basic policy is continue to carry on a stable dividend distribution.

We will make full use of our internal reserves for effective investment on a prospective business as well as intensify our financial position under foreseeable more and more severe future business conditions. And we think we would like to make a profit return to our shareholders by time to time buybacks and scrapings of stock with the profit incurred.

3. Mid-to-long term management strategy

Effective from this April, we introduced our mid-term management program "WIT 2000" (W: Wisdom, I: Intelligence and T: Technology) that is defined a focussing business strategy and objectives to cover three years from 2000 to 2002.

Allocating Capitalstock to every operational division-headquarter, and setting Nagase style ROE (NROE) (see the note) as a new management index, we will achieve 7% up of NROE on a consolidated base by the end of 2002. A backbone of this program and a concrete action to be taken are follows;

Intending to gain the profit more than capital cost and to continue profitable growth, we will positively invest on the focused business area such as electronics, healthcare principally within Nagase's profit. As the first step, we decided to make Nagase-Chiba Ltd. our 100% subsidiary and try to strengthen liquid-encapsulation agent for next generation semiconductor package. Also we have a plan to make a new investment on the next-generation semiconductor related area.

As a part of focussing policy on consolidated management, we are looking into reinforcement of our manufacturing and sales group through integration and abolition of them. Concerning chemical manufacturing area, we enhanced fine-chemical manufacturing through merging two companies of Nagase Chemicals Ltd. and Nagase Electronic Chemicals Ltd. into one company in April, this year. Including our R&D Center, we are now considering an integration of fusion technology of bio and organic synthesis. Concerning our sales group, we integrated four dyestuff traders this April for sales power up and improved competitiveness to develop more localized customer-oriented business.

We divide our activity into four major segments of chemicals, plastics, electronics, healthcare and clarified the core-business and the challenge-business for each segments to make our resources put together for more effective use.

Our target is to achieve the sales of 640 billion yen with an operating income of 9.2 billion yen, and a net profit of the term of 8.3 billion yen on a consolidated base by 2002.

(Note)

NROE = Nagase profit / equity capital at the beginning of term

Nagase profit =

profit after tax + (depreciation ± appraisal profit/loss) × (1 - effective tax rate)

Nagase Profit means the profit incurred through business operation, namely, so-called cash flow.

4. The matter to be dealt by the Company

(1) Upbringing of a new business

Though there is still enough room for us to play our role in intermediary transaction of raw materials, we will try to bring up a new business with view including M&A beyond a traditional framework of trading firm . We will positively invest on such business area as electronics and healthcare, particularly focussing on the semiconductor-related in electronics area as well as a health food in the healthcare area.

(2) Intensification of overseas business development.

Our shares of overseas business is now 29 % mainly in Asia with plastics but we will put more emphasis on the largest market of North American continent coping with the changes of the facts of life fixing our eyes on a move among big industries. To be more concrete, we will try to develop more business involved in manufacturing such as Joint Venture business with producers.

(3) Reinforcement of group manufacturing firms

By working of a divisionwise consolidated management, we will centralize our business resources into the highest strategic business area including integration and abolition of business for strengthen manufacturing capability within our group. Not only depending the strength within the group but we will consider an improved competitiveness of the group through an alliance with other groups ,capital acquisition, and M&A.

(4) Buildup of IT

The up or down of an enterprise is depend on how to use IT. From now on we have to not only depend on only in-house management resources but also to make use of external resources through the outsourcing on order to improve our productivity; so we will build up new sales route by making use of Internet. Along this line, we established "E-Commerce Committee" in August, last year, and each web-site of "Web Diet" to sell diet food, "Nagase Direct" to sell DVD decoder, movie and game software, and "PLUSWOOD" to sale of building new materials in January this year.

(5) Our move against environmental problems

On April 28, 2000, we were awarded ISO 14001 certification, an international standard for environmental management, for a whole company including Tokyo & Osaka Head Office, Nagoya branch, R&D Center, and every sales offices.

We established "a terrestrial environmental Committee" in May, last year and exerted best efforts as a whole company by setting up an environmental policy and building up an industrial management system, particularly, setting a motto as policy " business promotion taking environmental protection into account" and features our environmental protection activity in contribution to environmental safety through creation and expansion of ecobusiness.

(2) Business performance.

1. Outlook of FY 1999

Business environment;

Japanese economy during the current term displayed mild improvement indicating increased investment on IT related private sector thanks to effects of public investment; however, personal consumption was not so much improved as expected under severe unemployment and reduced income which clearly shows that Japanese domestic economy is still in stagnant and does not show any sign of true recovery.

On the other hand in overseas, the U.S.A. economy maintains firm while European and Asian nations show the conspicuous move towards recovery.

Consolidated sales

The turnover of the current term recorded 568.29 billion yen, up 0.9% of last year

Domestic sales was 404.15 billion yen, 0.4% down of last yet while overseas sales *increased to 164.13 billion yen*, 4.1 % up of the last year.

The outlook by business

【 Chemical business 】 Sales: 249.97 billion yen (up 2.4% over last year)

In domestic sales, functional products for recording material shows a well-growth and the product group including coating material, plastic additives, dyes and pigments were as good as that of last year . In overseas sales, electronics-related chemicals particularly *in Thailand* as well as colorformer, pharmaceutical raw and intermediate materials *in European and U.S.* markets were fairly well .

【 Plastics business 】 Sales: 192.71 billion yen (3.3% down over last year)

In spite of strong yen, overseas sales of engineering plastics for business machine and

home electronics increased due to partially economic recovery in Asia and partially production shift from Japan to overseas while sales of raw materials and die for automobile and electronics parts in Europe and the U.S.A was also increased to exceed last year level.

On the other hand, domestic sales of PET resin and the products made by the subsidiaries (food container, electronic parts, tray, information tube for optical cable) was firm but recorded less sales than last year due to reduction in production of automobiles, accelerated production shift of business machine and home electronics to overseas as well as affects of business slump in cable industry.

【Electronic business】 Sales: 109.77 billion yen (up 5.1% over last year)

Favorably influenced by worldwide demand recovery of personal computer-related products, liquid crystal-related products marked 53.9 % up over last year while sales of raw material and products for semiconductor showed 30.4% up over last year, too. And liquid and equipment employed in the manufacturing process of liquid crystal, etc. was recorded 36.2% up over last year due to production expansion and investment to new equipment ,etc. in Taiwan. In the meantime, a recording media centering on aluminum substrate for hard disc marked a significant drop-off due to shift to high density storage and decline of the market price.

【Health Care and other business】 Sales: 15.83 billion yen (up 2.1% over last year).

Medical Care-related products displayed a good sales supported by good demand from bacteria testing instrument and radioactive related products resulting in up 12.3% over last year. For beauty care-related area, summer use toilet water "new conditioning lotion", a new skin-care "MIFORE" were put on the cosmetic market while a drink-type "Royal Jelly BM700" and "Bellmush 100" were introduced into health food market but sales decreased by 3.9% over last year due to stagnant personal consumption and change in consumer needs from high quality to low price.

Consolidated profit and loss

Profit was increased by 3.9% over last year recording 55.28 billion yen resulting in 4.6% up over last year of 8.14 billion yen in operating income after deducted selling and general and administrative expenses due to increase in number of consolidated subsidiaries. The ordinary income recorded 9.88 billion yen, up 16.3% over last year due to increment of investment profit on equity method and the net income of the term was 6.37 billion yen, up 78.9% over last year thanks to reduction in domestic corporate income tax, etc.

The current term dividend and implementation of buyback of treasury stocks

eight (8) yen per share dividend as same as the preceding term is scheduled based on our management policy of a stable dividend.

As the result, 27.4% of dividend payoff ratio and 4.0% of net earnings on shareholders' equity for the current term ,and 1.1% of dividend ratio of stockholders' equity were recorded.

And for the purpose of returning profit to shareholders, we have carried over the implementation of buyback and scrapping of stock from the last year resulting in buyback and scrapping of 454.2 million stocks with value of 2.117 billion yen during the term.

2. Prospective for next term.

(million yen)

	Sales	Operating income	Ordinary income	Net income
3/ 2001	580,000	8,300	11,300	6,500
3/ 2000	568,293	8,147	9,885	6,371
Gr. ratio	2.1%	1.9%	14.3%	2.0%

Regarding economic prospects in future, capital investment (for plant and equipment) seems continue to show expanding trend but no significant improvement in personal consumption can be seen due to unfavorable employment and income expectation causing continuous feeling of poor economic recovery. Under these circumstances, our divisionwise future business prospective are as follows;

【 Chemicals business 】 Sales: 253.0 billion yen (1.2% up over last year)

Crude oil production increase by OPEC as a background, we expect reduction in naphtha price from a latter half of next term, possibly resulting in a stop of increasing chemical price and even demand for price reduction from the market may be seen. Domestic sales is

estimated to show about the same level or slight increase over the preceding year, while overseas sales may continue to be firm.

【 Plastics business 】 Sales: 200.0 billion yen (3.8% up over last year)

Substantial recovery of domestic sales cannot be expected but we estimate increased profit by expanding sales of our handling line to our selected important customers and commencing sales of profitable wood products based new material, etc. And though we expect continuous increase in sales volume for overseas sales, overseas sales increase may be small due to strong Japanese yen.

【 Electronics business 】 Sales: 113.5 billion yen (up 3.4% over last year)

Sales of semiconductor and crystal liquid related products are looking forward to be firm, and large increase in liquid and equipment employed in the manufacturing process of liquid crystal, etc. can also be expected, *On the other hand*, we estimate declining in handling of encapsulation products due to their production shift to Asia.

【 Healthcare and other business 】 Sales: 13.5 billion yen (down 14.7% over last year)

In beauty care-related *area*, we are going put such main products as new makeup series and new health food on the market while sales in medical care *related-area* is estimated to be declined due to transfer of sales rights of biochemical testing related products.

As a result, the next term sales will be 580.0 billion yen with ordinary income of 11.3 billion yen and the current term net income of 6.5 billion yen. We schedule eight (8) yen per share dividend distribution.

Further, the savings shorts of retirement payment debt (difference at the time of changing the accounting standard) at the time of the end of March, 2000 is 6.9 billion yen for which we will do lump sum wipe off as an extraordinary deductions at the end of March, 2001, and have a plan to make appropriation of an equivalent amount of an extraordinary income by contribution gain of retirement payment trust and sold out gain of holding property, etc. Accordingly the above profit estimation is not affected.