

November 20,2001

Consolidated Brief Financial Report

(April 1, 2001 to September 30,2001)

CodeNo:8012

Date held Board of Directors for settlement of accounts : November 20,2001

Application of Accounting Standards of the U.S.A.(yes or no):No.

Listed stock Exchange : Tokyo and Osaka

Location of the Head Office: Osaka

1 . Consolidated performance for from April1, 2001 to September30, 2001**(1) Consolidated management performance**

	Sales	Operating income	Ordinary income	Net income
	(Million yen / %)	(Million yen / %)	(Million yen / %)	(Million yen / %)
Term ending September,2001	257,602 (10.0)	799 (81.0)	2,410 (54.4)	1,692 (43.3)
Term ending September,2000	286,245 (-)	4,198 (-)	5,287 (-)	2,984 (-)

	Earnings per Share	Return on Equity (ROE)	Return on Assets (ROA)	Sales ordinary Income rate
	(Yen)	(%)	(%)	(%)
Term ending September,2001	12.19	2.2	1.0	0.9
Term ending September,2000	21.21	4.1	1.8	1.8

(Note)

Investment profit and loss by the equity method;

172million yen (Term ending September,2001), 139million yen (Term ending September,2000)

Shares number averaged during age(consolidated);

138,861,193shares(Term ending September,2001),140,732,085shares(Term ending September,2000)

The changes in the mode of accounts treatment; None.

Sales, Operating income, Ordinary income, Net income are shown in % change against over the same period of the previous year

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of Shareholders' equity	Book value per share
	(Million yen)	(Million yen)	(%)	(yen)
Term ending September,2001	319,304	148,486	46.5	1,072.82
Term ending September,2000	359,247	155,494	43.3	1,106.43

(Note)

The issued and outstanding at the end of a mid term (consolidated);

138,407,323Shares(Term ending September, 2001), 140,536,296shares(Term ending September,2000)

(3) Conditions of consolidated cash flow

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents Ending balance
	(Million yen)	(Million yen)	(Million yen)	(Million yen)
Term ending September,2001	5,397	505	4,741	19,371
Term ending September,2000	8,263	2,479	5,622	22,049

(4) The matter concerning consolidated range and application of one - line consolidation.

Number of consolidated subsidiaries: 24

Number of unconsolidated subsidiaries accounted for by the equity method: 0

Number of affiliates (possession of 15 - 50% shares) accounted for by the equity method; 8

(5) Changes in the consolidated range and application of by the equity method

Consolidated (New) : 0 (Exclusion) : 4

The equity method (New) : 0 (Exclusion) : 0

2. Prospects for consolidated performance at the term ending March 2002

(from April 1 ,2001 to March31,2002)

	Sales	Ordinary income	Net income
	(Million yen)	(Million yen)	(Million yen)
Through the term	478,000	4,200	1,700

(Reference):Expected earning per share(through the term) 12.28 yen

Management policy

1. Basic policy of management

Management Philosophy

The Nagase Group is a member of society, and as such, it is our duty to behave in a manner in keeping with this role by maintaining good and fair business practices and providing society with the goods and services it needs. Through continued growth and development, Nagase can improve the welfare of its employees, while making a contribution to society.

Keeping in mind of the above Management Philosophy, we look forward to be "The technology and Intelligence Oriented Company that turns into business".

This vision is based on a thought that "there is every answer in the market" and without adhering to the type of trading operations as "a business firm", we do our best to develop of our business by driving customer oriented business with wisdom added experience to our technology and information.

Trading with simple intermediary function is no longer to meet diversifying customer needs and we cannot hope to stay with the stable commercial rights. Being fully aware of passing the time of simple intermediary business, we also think it's time that no company is able to play all functions only by itself. We are going to build up the strength of our functions listed below so that our customers select us without hesitation as their partner when they create new value:

- Substantiation of R&D and production function
- Investments along with our business strategy and new business development
- Reinforcement of physical distribution capability
- Maintenance and expansion of mutual confidence among many domestic and overseas business partners cultivated for long years
- Reinforcement our own human resources

We will continue to offer our business proposal to the market focusing on the business fields based on the above.

At the same time, we have established our environmental management system, and is now carrying on the system in doing our business within our technical and economical capability for the purpose to deploy the activity for conserving and protecting terrestrial environment.

2. Basic policy concerning profit distribution

Securing the retained earnings available for intensification of corporate strength and perspective business development, we will continue to keep a stable dividend distribution as our policy.

We will make good use of our internal reserves to effective investment on our prospective business in future as well as intensifying our financial capability under severe business environment foreseeable. Also we want to make profit return regularly to shareholders by repurchasing our common stocks

3. Mid-to-long term management strategy

We have introduced Medium-term management plan "WIT2000" (W:Wisdom / I:Intelligence / T:Technology) for three year beginning from April,2000 to March 2003 setting forth important business strategy and objective to be achieved. In order to gain more profit than capital cost to keep growing with profit, we started to use Nagase style ROE (NROE) as new management indicator with which we set our target up 7% in fiscal 2003 on consolidated basis. Our program for the above is as follows:

- Aiming at the earnings more than capital cost to continue profitable growth, we will, within Nagase's profit, more positively invest in our most important fields of electronics and health care industries.
- We put more emphasis on consolidated management. We will reinforce and bring up our manufacturing group of companies and strengthen operational expertise of marketing and servicing group of companies to promote efficiency of Nagase Group and improvement of productivity.
- We divided our business into four segment of chemical products, plastics, electronics and health care to make core challenging task for each segments for concentration of our resources.

(Note)

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

Nagase profit = profit after tax + (depreciation \pm appraisal profit/loss) \times (1-effective tax rate)

Nagase profit means so-called business cash flow created with business activity.

4. A policy concerning maintenance of company's management organization

We adopted a resolution to introduce executive officer regiment at Board of Directors' meeting the 86th ordinary general meeting of stockholders (on June 28, 2001). We made clear the position of Board of Directors as "organization for decision making in management policy and strategy for supervising performance of operations" and separated the function of management (Board of Directors) and of operations (executive officer regime) for the purpose of speed up decision-making and reinforced operations. By this separation, we are going build up the company status suitable for 21st century and speed up of the performance of medium-term management plan "WIT2000" prepared with aim of earning-power improvement as a group and the achievement of the objective.

At the same time we have set up "Compliance Committee" for all of directors and employee to observe laws, social standard and morale as well as enlightened business ethics in doing daily business.

5. Objective the Company should deal with

Under severe management circumstances, we will strengthen and improve our management quality to work positively on the following focusing issues:

(1) Implementing operation of management shake-out measures

- Reduction in force

We will reduce 100 employment of Nagase itself in the next 2 years by early retirement recruitment and attrition.

- Expense reduction

We will reduce our own sales and general administrative expenses about 1.7 billion yen comparing the previous term.

- Review and reconsideration of the low-yield business.

We decided to withdraw unprofitable business of TV component assemble business in Mexico and manpower supply business in Japan both of which have sharply declining profit wise due to severe competition. We also transferred sales department of Nagase Medicals Co.,Ltd. with intention to improve earning power by specialization of its operation for contracted manufacturing. We will continue to strengthen operational earning power through further selection and concentration.

(2) Reinforcing R&D and production function

Since the establishment of R&D Center, we have been providing our technology to customers, putting emphasis on pharmaceuticals synthetic technology and particularly application development of kiral synthetic technology. The products employed this technology are now commercialized and we will keep supplying our R&D function to the customers beyond the framework of trading company.

At the same time, we are striving to make expansion of manufacture base particularly in Asia in order to strengthen production function we have been cultivated over the years. In this line, we have established a manufacturing subsidiary for manufacturing and recycling of chemicals for LCD called “Nagase FineChem Singapore (Pte) Ltd.” in Singapore and have a plan to construct several joint manufacturing companies mainly for manufacturing synthetic resins in China.

We aim at intensification of our R&D and production function and continue to offer sufficient customer services.

(3) Investments along business strategy and upbringing new business

Concentrating management resources to highly strategic business, we will build up firm business foundation.

For the field of Health Care reinforcement, we have decided to expand production capacity of pharmaceutical intermediates at Nagase chemteX Ltd. and we are also making capital participation in overseas joint venture under studying immune therapy in this field.

For electronics field, we have licensed LCD remover to Kumuh Petrochemical Co., Ltd.in Korea while working on joint development for the most leading-edge photo resists. Gigatech Co.,Ltd. of our group member company that is engaged in production of communication modules has succeeded to keep growing and expanding mainly with PHS module for the market in China.

We will do our best to attain to increase earnings by successive investment in targeting area including China and targeting field such as electronics and health care.

(4) Importance of consolidated management.

We will proceed restructuring of group companies in order to accelerate to improve earning power and business operations by the concentration of business,

In overseas, we will strengthen well-organized Regional Business Center for the purpose of intensifying strategy for Asia and of promoting the business in the Asia and we have localized our Seoul

Branch Office to local corporation aiming at expansion of import and export trade in Korea.

Also in Japan, we will further proceed to reorganization of domestic sales companies focusing on locality.

For business operation field, we have set up Nagase Trade Management Ltd for central controlling of business operations so far done by each independent group firm with intention of improve efficiency as a whole group as well as introducing cash management system to make capital efficient as a group.

(5) Reinforcement of IT (information technology)

We plan to business deployment by taking advantage of IT as a tool for strength our sales force and business profitability. By investments to domestic and foreign IT venture business Reinforce IT network along customer needs Strengthen SCM streamlining physical distribution expense reduction of customer and deal with overseas, and push ahead we will make proposals for business operations creating value- added through working together with customers

Business performance

1. Outlook for this mid-term

Global economy during the term was seen the drastic slowdown started from the slump in US IT (Information Technology) and spread to Asia and Europe and further intensified fear for global economic recession.

Also in Japanese economy, IT industry that has been driving force of economy up to date was significantly dropped and corporate earnings was worsen and spurred down of consumption mind; thus uncertainty for future of economy was further intensified.

Under these circumstances affected by dull demand from material industry mainly of chemicals, electronic industry and others, the consolidated gross sales was 257.6 billion yen, a 10% down over the same period of the previous year, of which domestic sales was down by 8.5% to 180.2 billion yen, and overseas sales, down by 13.4% over the same period of the previous year.

The breakdown by each division is as follows.

【Chemicals】

Business of chemical division was generally rather sluggish and recorded a drop by 6.0% over the same period of the previous year to 113.4 billion yen despite firm business in pharmaceutical-related business such as pharmaceutical intermediates.

(Situation during the term)

- Functional chemicals including raw materials, additives, and pigments for plastics were dull in business affected by slump in OA and IT-related materials.
- The recording material-related registered the growth in ink-jet material but material sales for heat

thermal and pressure sensitive paper as well as coating and ink materials run down due to business slowdown of paper industry.

- Pharmaceuticals and agricultural chemical raw material went on well in business due to favorable operations of contract synthesis of pharmaceuticals raw material as well of pharmaceutical formulation.
- Specialty chemicals were not satisfactory in performance influenced by down sales of electronics-related material, toiletry material, enzymes and others though new development products including flavoring material or others went favorably.

(Situations of group companies)

- Nagase ChemteX Ltd was not attaining the last year's sales level due to sluggishness in the sales of electronics-related material, enzymes and bactericides.
- Nagase Colors & Chemicals Co., Ltd. runs down slightly less than last year's sales level influenced by slump in domestic textile industry.
- Nagase Thailand Co., Ltd. went on favorably with sales increase from metal engineering material or metal cleaning agent's sales increase from metal engineering material or metal cleaning agents as a result of proceeding customer-oriented sales.
- Nagase America Corporation performed well with growth pharmaceutical intermediates and processing food additives.

【Plastics】

Plastic Division registered sales of 94.1 billion yen, a 9.4% down of the same period of last year due to the transfer of domestic sales right of GE Products to other, drop in plastics demand from overseas electric and information appliances manufacturers and other reasons.

(Our situations during the term)

- In the field of automobile, the sales of interior decorative plastics and dies were expanded as a result of proceeding business tie-up with Kasai Kogyo Co., Ltd., and construction of SCM with customers.
- In the field of electric and information appliances, the sales were less than the level of the previous year influenced by a drop of sales for Taiwan and Singapore though sales for Chinese market, where accelerates of shifting production base to, ran well.
- In the field of packaging, the unit prices of general-purpose plastics decreased due to competition with the imported products, and Even in the housing field, dull products and parts sales were seen.

(Situations of Group Companies)

- Nagase Plastics Sales Company resulted less sales than the level of last year because of weak market conditions.
- Kotobuki Industries Co., Ltd. who completed HACCP compliance, went on well with steady sales increase but Totaku industries, Inc. and Setsunan Kasei Co., Ltd. ended with fewer sales than the last year's level.
- Overseas local subsidiaries including Nagase Singapore (Pte) Ltd, Nagase Wahlee Plastics Corporation. resulted in substantially lower sales than that of the same period of last year due to

very weak demand for electric and information appliances.

- Nagase Hong Kong Ltd. showed significant sales up due to increased demand in line with production base shifting. The company has established a local representative office in Tenshin and Dairen in China to strengthen sales system in China.
- Nagase Europe Ltd. and Nagase Thailand Co., Ltd recorded a big sales growth of automobile parts material.

【Electronics】

Electronics business was down by 20.2% over the same period of last year to 43.9 billion yen, showing a big drop in export mainly for Asia influenced by global IT recession.

(Our situations)

- Major products including LCD, fluoride resin, encapsulation material, electronic parts, recorded substantial drop in demand and resulted in substantially less sales than that of last year.
- Communication parts module and image processing system recorded big jump in sales backed up favorable advancement of product development and sales by Group Companies.
- Our unique chemical supply system related for LCD manufacturing that reduces environmental load enjoyed fairly strong demand both domestic and overseas and the business has shifted firm and smoothly as a whole.

(Situations of Group Companies)

- Nagase ChemteX Ltd . was resulted with the performance of less outcome than that of the same period of last year due to drastic demand drop in epoxy resins for semiconductor despite rather steady business in epoxy resins for the heavy electric-related and chemicals for LCD production.
- Hoei Sangyo Co Ltd. went on firm and smoothly in business because of materialize of large-scale commercial negotiations of digital image speech processing apparatus and contracted manufacturing of DVD.
- Nagase Elex Co., Ltd. runs well and firm in business as a result of thorough regional and customer-oriented operations.
- Nagase Electronic Equipment service Co., Ltd. resulted in the performance with less than last year' level due to poor equipment investment in semiconductor-related.
- Nagase Singapore (Pte) Ltd., Nagase Taiwan Co., Ltd, and Nagase Hong Kong Ltd showed far less performance than that of last year due to weak demand and drop of unit price etc.

【Health Care and others】

(Our business situations)

Health Care business was down by 9.2% over the corresponding period of the previous year to 6.0 billion yen in sales due to sluggish cosmetic and medical related equipment despite firm and smooth operations of health foods.

- For health food, demand for new product "Bell mash"- new formulation containing agarisk as ingredients runs well and firm.

- Medical care related ended unfavorably due to dull radiation-related business regardless the efforts for demand development of electronic chart and infectious disease inspection system.
- Health food for preventing life style related disease deploying through mail-order, over-the-counter sales, and network sales and nursing diaper treatment system " Omutsu Poi " could not contribute sales increase due to delay in establishing sales system.

Consolidated profit and loss

By influence of sales decrease of single unit, gross sales profit runs down to 24.07 billion yen (15.2 % over the same term of last year), sales and general administrative cost, 23.27 billion yen (3.8 % on the same basis as above), accordingly, resulted in a big drop as operating income 0.79 billion yen (81.0 %), Recurrent profit 2.41 billion yen (54.4 %), and Mid-term net profit 1.69 billion yen (43.3 %), all on the same basis of the same period of the previous year.

Consolidated cash flow situations

Ending balance of cash and cash equivalents in this mid-term consolidated accounting period was increased by 0.9 billion yen comparing to the previous consolidated accounting year 19.37 billion yen (up 4.9% over the previous term).

Cash flow by operating activities decreased 2.86 billion yen comparing the corresponding last term to 5.3 billion yen (34.7 %) due to decrease of mid-term net profit before tax adjustment over the last term as well as increased payments of corporate tax levied on the Previous consolidated account year.

For cash flow by investment activity, fund demand reduced 1.9 billion yen comparing the corresponding period of the previous year and resulted in expense of 0.5 billion yen (79.6 %) over the pervious term. Despite our positive stock acquisition for enhancing business relationship, set up of joint ventures in overseas and others.

Cash flow by finance activity increased in demand to 4.74 billion yen (15.7 %) over the same term of the previous year due to repayment of bank loan, repurchase of common stock and payment of dividend.

On repurchase of common stock

For the purpose to make profit return to shareholders, we continue to carry on repurchase of common stock from the last year and actual repurchase during this mid-term was 529,000 stocks of 266,087 thousand yen.

And we acquired 5,166,000 common stocks of ours at 2,675,988 thousand yen on October 19, 2001 based on the provision of Article 3 (4) of by-law of "Law concerning a partial revision of commercial code and others" "Law concerning a partial revision of commercial code and others" (Law No.79 issued 2001)

2. Prospects of next term

As for future economic prospects, pessimistic views are prevailing on the time of economic recovery because there is the strong concerned over further deterioration of business with swing down of domestic

economic to slowdown synchronized with US simultaneous mass terrorism occurrence under the global economic recession. Under such a severe aspect we are going to implement management reform reduction of employment by early retirement program and cut down of overhead expense for better earnings.

Outlook of consolidated performance and the next term prospects of each operating division are as follows:

In the mean time, dividend payable at the end of the term is to be paid 8 yen per share as scheduled based on stable dividend management policy.

	(millions yen)		
	Turnover	Recurrent profit	Current term net profit
Term ending March 2002	478,000	4,200	1,700
Term ending March 2001	559,372	10,282	4,945
Against previous year	85.5%	40.8%	34.4%

【Chemical】 Sales: 213billion yen(10.5 % down previous year)

Chemical operations is most likely to shift in weak and dull as a whole but we aim at strengthen pharmaceutical and medical-care related business while reinforcing domestic and overseas business foundation through investment in off-shores including development dyestuff-related business in China.

【Plastics】 Sales: 172.5billion yen (16.0 % down previous year)

Under progressing transfer of domestic sales right of GE product Demand for plastic domestic and overseas will continue to inactive and sluggish. We make best efforts to sales increase of products of Group Companies and development global business including for automobile field through strategic investment for business expansion in future, too

【Electronics】 Sales: 80 billion yen (22.6 % down previous year)

We anticipate the sale of chemical supply system for LCD manufacturing- related should make a big jump but cannot expect business recovery in cellular phone and semiconductor industries as well as electronics materials leading to weak and dull business as a whole. We make best efforts to strengthen overseas production of various parts and products demanded by customers including startup of Nagase Fine Chem Singapore Ltd.

【 Health Care and others 】 Sales: 12.5 billion yen (1.2 % down previous year)

We will put new cosmetics and health food product on the market and make best efforts to sales expansion through shops and by mail-order in addition to the established door-to-door selling system. We will expand sales channel for electronic chart system and infectious disease inspection system in the medical care-related, and will build up the organization in response with the needs of hospital and medical institution.