

# Summary of Consolidated Business Results for the Third Quarter Ended December 2003

February 6, 2004

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

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

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## 1. Matters concerning the preparation of the Summary of Business Results for the Third Quarter of 2003

### (1) Change in the recognition of the accounting method from the recent consolidated fiscal years:

Some changes were made in the recognition.

(Description):

Accounting standard of income and other taxes: The amount of these taxes was calculated using the estimated yearly tax rates based on the legal effective tax rates.

For some account items with minor effects, a simpler calculation method was used.

### (2) Change in the applicable scope of the consolidation and equity method: The applicable scope was changed.

Consolidated Subsidiaries: New: 2 Excluded: 0 Equity method: New: 1 Excluded: 1

## 2. Consolidated Business Results for the Third Quarter Ended December 2003 (April 1, 2003 – December 31, 2003)

### 1) Consolidated Operating Results

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

	Net Sales		Operating Income		Recurring income	
	¥ Millions	%	¥ Millions	%	¥ Millions	%
Third Quarter Ended December 2003	397,288	-	9,244	-	11,783	-
Third Quarter Ended December 2002	-	-	-	-	-	-
(Reference) Period Ended March 31, 2003	503,688		8,433		11,284	

	Net (quarterly) income		EPS (quarterly)	Fully Diluted EPS (quarterly)
	¥ Millions	%	¥	¥
Third Quarter Ended December 2003	5,216	-	41.01	-
Third Quarter Ended December 2002	-	-	-	-
(Reference) Period Ended March 31, 2003	4,186		31.72	-

Notes: 1. Figures shown in percentage of sales, operating income and other items show the ratios of sequential changes compared with the third quarter of 2002. But because no quarterly settlement was made in the quarters of 2002, percentage figures were omitted.  
 2. The quarterly business results of 2002 were not presented because no settlement was made for these quarters.

### 2) Consolidated Financial Position

	Total Assets	Shareholder's Equity	Shareholder's Equity Ratio	Shareholders Equity Per Share
	¥ Millions	¥ Millions	%	¥
Third Quarter Ended December 2003	315,185	151,346	48.0	1,189.92
Third Quarter Ended December 2002	-	-	-	-
(Reference) Period Ended March 31, 2003	284,800	140,944	49.5	1,107.55

### 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
Third Quarter Ended December 2003	3,556	-1,719	-877	19,418
Third Quarter Ended December 2002	-	-	-	-
(Reference) Period Ended March 31, 2003	4,392	963	-7,643	19,044

Notes: The quarterly business results of 2002 were not presented because no settlement was made for these quarters.

## 3. Consolidated Forecasts for the Year Ended March 31, 2004 (April 1, 2003 - March 31, 2004)

No change has been made to the forecasts published on November 7, 2003.

	Net Sales	Recurring Income	Net Income	EPS
	¥ Millions	¥ Millions	¥ Millions	¥
Whole Year	509,000	12,600	7,000	54.57

\*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.

## Summary of Consolidated Business Results for Third Quarter of Year ending March 2004

### Qualitative Information on Progress of Management Performance (Consolidated), etc.

#### Overall Company Performance

The Japanese economy in the third quarter continued to experience slow recovery, due to positive signs in exports and capital investment, and the growth of digital equipment. However, there are still uncertainties in the international climate, including the turmoil in Iraq, and in association with this, concerns about prospective exchange rate movements remain.

Under these circumstances, domestic sales and overseas sales in the third quarter amounted to ¥260 billion and ¥136 billion, respectively, resulting in consolidated net sales of ¥397 billion.

On the income front, operating income amounted to ¥9 billion due to brisk sales, and ordinary income amounted to ¥11 billion. Quarterly net income was ¥5 billion.

#### Segment Summaries

##### **Chemicals            Sales: ¥173 billion**

In the chemicals segment, sales were brisk with respect to urethane for automotive applications, where we are making strategic efforts both domestically and internationally, as well as oil solutions, etc. in the field of specialty chemicals based on a thorough customer-oriented approach. Sales of paints also increased especially in China, as we have actively been promoting our expansion overseas, in conjunction with clients making inroads into overseas markets. In addition, sales of proprietary products increased in the filter business. On the other hand, overseas sales of plastic additives decreased due to poor resin production in South Korea, and sales of agrichemicals also diminished as a result of revising unprofitable products.

##### **Plastics             Sales: ¥126 billion**

In the plastics segment, export sales of materials for liquid crystal and molding machines were strong, especially those destined for Taiwan. Sales of plastics bound for China and Hong Kong also increased, as a result of the establishment of new bases and the enhancement of existing ones in an effort to bolster our marketing strength. On the other hand, sales of functional resins in Southeast Asia decreased, partly because Japanese manufacturers moved their production bases to China. Sales generated by the automotive business targeting North America increased steadily, while domestic sales were helped by new businesses regarding the sale of components for electronic equipment. As a result, the segment performed solidly overall.

##### **Electronics        Sales: ¥88 billion**

In the electronics segment, we are directing our efforts towards the contract processing business in relation to LCDs. The business continued to perform well and dramatically pushed up sales, especially by the sales of materials and components. Sales of digital equipment and software also increased sharply, while communication components performed solidly. On the other hand, sales of functional materials slightly decreased, especially due to exports. Nonetheless, the segment performed extremely well overall.

**Healthcare and Others      Sales: ¥9 billion**

The healthcare segment was slightly sluggish, in regard to both cosmetics and health foods. In the medical field, sales relating to clinical examination performed favorably, while sales of medical information systems and home medical care were sluggish.

**Qualitative Information on Changes in Financial Position (Consolidated), etc.**

Total assets on a consolidated basis increased ¥30 billion over the previous consolidated fiscal year-end to ¥315 billion, due to the increase in accounts receivable and investments in securities.

Also, shareholders' equity increased ¥10 billion over the previous consolidated fiscal year-end to ¥151 billion, due to retained earnings and the increase in the amount of unrealized gains on other securities declared as capital.

As a result, the ratio of shareholders' equity fell by 1.5 percentage points to 48.0%, from 49.5% at the previous consolidated fiscal year-end.

**Status of Consolidated Cash Flow**

Net cash provided by operating activities amounted to ¥3.5 billion. This is the result of quarterly income before income taxes and minority interests in the amount of ¥8.3 billion, in addition to the increase in working capital and the payment of income taxes.

Net cash used in investing activities totaled ¥1.7 billion. This is the result of the expenditure attributable to the acquisition of plant, property and equipment, and the increase in short-term loans receivable, which offset the gains on the sale of some of the investment securities.

Net cash used in financing activities amounted to ¥0.8 billion, as a result of the repayment of bank loans and payment of dividends.

Consequently, cash and cash equivalents as at the end of the third quarter increased by ¥0.3 billion from the previous consolidated fiscal year-end to ¥19.4 billion.

**Qualitative Information on Performance Forecasts, etc.**

While the domestic economy is showing some signs of recovery, prospects of the global economy remain uncertain, due to doubts over the U.S. economy and concerns over the stronger yen.

Under these circumstances, Nagase's business performance for the third quarter was more or less as planned. Accordingly, there are no changes to the figures on consolidated performance forecasts announced on November 7, 2003. Similarly, there are no adjustments to the unconsolidated forecasts.