

November 1, 2004

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

Company Name: Nagase &amp; Co., Ltd.

Listing Code: 8012

(URL: <http://www.nagase.co.jp>)

Representative Position President

Hiroshi Nagase

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Date of Board of Directors' Meeting for Interim Settlement of Accounts November 1, 2004

Adoption of U.S.GAAP: No

Stock Exchanges Listed: Tokyo, Osaka

Location of Head Office: Osaka Prefecture

## 1. September 30, 2004 Consolidated Interim Results (April 1, 2004 - September 30, 2004)

## (1) Consolidated Operating Results (Note: Amounts have been rounded down to the nearest million yen.)

	Sales		Operating income		Recurring income	
	¥millions	%	¥millions	%	¥millions	%
Interim period ended September 30, 2004	279,812	6.5	6,497	2.9	7,625	(5.7)
Interim period ended September 30, 2003	262,636	5.2	6,316	38.0	8,085	32.2
Year ended March 31, 2004	533,301		10,244		13,110	

	Interim Net Income		Interim EPS	Fully Diluted Interim EPS
	¥millions	%	¥	¥
Interim period ended September 30, 2004	4,686	69.6	36.84	36.75
Interim period ended September 30, 2003	2,763	(37.6)	21.73	—
Year ended March 31, 2004	7,010		54.69	—

- Notes: 1. Gain (loss) on equity method investment  
Interim period ended September 30, 2004: 179 million yen Interim period ended September 30, 2003: 503 million yen Year ended March 31, 2004: 437 million yen
2. Average number of shares during the consolidated accounting period.  
Interim period ended September 30, 2004: 127,215,519 Interim period ended September 30, 2003: 127,201,161 Year ended March 31, 2004: 127,195,732
3. Changes to accounting policies: Yes.
4. The percentage figures for sales, operating income, recurring income and interim net income represent increases (decreases) relative to the previous year's interim results.

## (2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥millions	¥millions	%	¥
Interim period ended September 30, 2004	319,997	159,223	49.8	1,250.56
Interim period ended September 30, 2003	298,721	148,192	49.6	1,165.08
Year ended March 31, 2004	310,793	156,210	50.3	1,227.82

- Notes: 1. Shares issued and outstanding at end of the consolidated accounting period  
Interim period ended September 30, 2004: 127,321,704 Interim period ended September 30, 2003: 127,195,704 Year ended March 31, 2004: 127,181,787

## (3) Consolidated Cash Flows

	Net cash from operating activities	Net cash used for financial activities	Net cash used for investment activities	Balance of cash and cash equivalents at term end
	¥millions	¥millions	¥millions	¥millions
Interim period ended September 30, 2004	(1,466)	(1,122)	(677)	19,093
Interim period ended September 30, 2003	920	(1,988)	(2,230)	15,862
Year 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 (merger of consolidated subsidiaries) Equity method: New: 0 Excluded: 0

## 2. Consolidated Forecasts for the Year Ended March 31, 2005 (April 1, 2004 - March 31, 2005)

	Sales	Recurring Income	Net Income
	¥millions	¥millions	¥millions
Whole Year	568,000	14,200	9,500

Reference: Annual net income per share is projected to reach ¥74.22

\* 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 new slogan “technology- and intelligence-oriented company that turns wisdom into business”, and from April 2003, we adopted a long-term vision as follows.

To provide new “capabilities” and “services” worldwide based on our chemical 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. We will also work on increasing shareholder value by effectively making use of the treasury stock system. As one of the measures for this, 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. We issued rights to purchase new shares in the form of stock options on August 9, 2004, to Directors, Auditors, Executive Officers and Managers of the Company, as well as Directors and

individuals with an equivalent title in consolidated subsidiaries, based on the resolution at the ordinary general meeting of shareholders held on June 29, 2004.

### **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 ultimately improve the liquidity of stock. We intend to look into measures to reduce the minimum investment unit, taking into account our business performance, market conditions and other factors, after carefully examining their costs and benefits. At this point of time, however, we have not yet decided on any specific measure or schedule to reduce the minimum investment unit.

### **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 the WIT21 (W: Wisdom, I: Intelligence and T: Technology), which we launched in April 2003, and the interim period of the year ending March 2005 marked the end of the first half of the plan. In WIT21, based on the aforementioned long-term vision, a 10 year long-term performance target was first set at “consolidated operating income of 20 billion yen and gross sales-to-profit ratio of 15%, and earnings exceeding capital cost in the year ending March 2013.” As for performance indicator, we intend to place top priority on operating income. Instead of an indicator that can be only expressed in terms of percentage such as Return of Equity (ROE), operating income clearly shows the absolute value and the changes of earnings performance in the core business and thus we are able to clearly indicate our aims for business expansion and growth. As a process to reach the targets, we set our medium-term target to achieve consolidated sales of ¥550.0 billion and consolidated operating income of ¥11.0 billion in the year ending March 2006, the final year of the WIT21. The targets are likely to be attained ahead of plan in the year ending March 2005, the second year of the medium-term plan.

The three basic strategies for achieving this 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 manufacturing, research, development and marketing functions, and provide clients with superior services and products needed in the market through creating and proposing our business models that go beyond being an intermediary.

In addition, as the areas where these basic strategies are implemented, we highlight the following four business areas as important:

1. Electronics
2. Life science
3. Automotive-related
4. Overseas operations

We will concentrate our management resources in these areas to expand revenues. These four business areas have potential to exercise strength among all business bases currently owned by Nagase and at the same time the market of these areas will likely to expand in the future.

In addition, for all group's employees working together on "creating new business," each and every employee should act with an entrepreneur spirit, set high targets and focus constantly on achieving them. Accordingly, development of human resources is another key strategy to attain targets set in the WIT21 and we enhance management education and training programs to upgrade skills for planning and executing business strategies. Furthermore, we provide regular opportunities for the employees and top management to discuss business strategies, and direct our efforts for instilling a spirit of challenging through active debate.

## **5. Challenges to Be Made by the Company**

### **Enhancement of Key Business Area**

In order to attain the targets set in medium-term management plan WIT21 and further expand revenues over the long term, we currently concentrate our management resources on the areas we view as important, including investments.

#### **(Electronics)**

We believe that the electronics industry is likely to continue growing on a global basis at the macro level. However at the device unit level represented by PC monitor use liquid crystal panels, demand and price fluctuations become drastic in accompany with intensified competition, and we need to foresee and preempt the market trends and establish the business base in the niche area which is more free from price fluctuations caused by demand fluctuations in order to sustain the growth. The origin of the electronics-related business of the company was not electronics components themselves but chemicals-based products including chemicals for the production of

semiconductors and liquid crystals. Currently, we continue working to expand the areas of products handled by developing downstream business such as liquid crystal use optical films, liquid crystal modules, the assembling and processing business of these products, information equipment use components and final consumption commodities, and to establish systems which generates revenues comprehensively in a broad range of business areas.

In addition, we are increasing the weight in the manufacturing business, through companies we had established, such as Nagase Finechem Singapore (Pte) Ltd. that produces chemicals for the production of semiconductor and liquid crystal manufacturing; Nagase ChemteX (Wuxi) Corp. that manufactures formulated epoxy resin; and Nagase International Electronics Ltd. that was established in March 2004, as a managing and sales subsidiary for consigned-based manufacturing center for liquid crystal-related components in the South China region. Through these measures, we will work to expand revenues by minimizing risk of demand/price fluctuations in the industry by optimizing the balance of trading business and manufacturing business, and the balance of upstream and downstream sectors in the electronics industry.

#### **(Life Science)**

Currently the pharmaceutical industry is going through severe competition for expanding business at the scale of global mergers and acquisitions. Japanese pharmaceuticals manufacturers are also not immune to this move and are not only inevitably competing on a global basis but also facing the intensified competition for orders as a result of activated consignment-based manufacturing in preparation for the revision of pharmaceutical law in 2005.

For Nagase's life science related business, we need new strategies and business direction on top of the current business pillar, that is new drug intermediate business. We launched the Life Science Business Planning Office in April 2004. Centering on this office, we are working at establishing business which comprehensively combined functions such as the manufacturing function held by Nagase ChemteX Corp. and Nagase Medicals Co., Ltd., the services function held by MEDICANET Co., Ltd. that supports clinical tests in new drug developments, the research and development function at Nagase R&D center, and the sales function for fringe products such as cosmetics and health foods.

#### **(Automotive)**

In the automotive-related business, we achieved direct transactions with finished automotive manufacturers, not only selling plastics materials to processing manufacturers for automotive interior materials and to exterior component

manufacturers such as headlamps, but also selling resin components and moldings at group companies and others, and furthermore, suggesting an innovative business model which integrates automotive components designing with mold manufacturing functions. In addition, we established a system in which automotive components assembled in South East Asia are supplied to Japanese automotive manufacturers in Europe just in time, and actual supply has started.

In the environment where a dramatic increase in domestic new car sales volume is not expected, expansion of the automotive related business depends on how to support global production system of client automotive manufacturers. We not only set up sales bases in the areas where Japanese automotive manufacturers advanced such as Tianjin, Shanghai, and Guangzhou in China, but also allocate human resources specialized in the automotive industry, further developing the system in which we provide similar services as Japan, for the manufacturing and design functions. In addition, not only upgrading human resources and boosting services in existing bases, we will work to establish strategies for the areas where future development is expected such as inner China and India.

#### **(Overseas Operations)**

In addition to our overseas operations of the aforementioned electronics and automotive sectors, we are expanding our overseas business centering on so-called Greater China region which includes mainland China, Hong Kong, and Taiwan, and so-called ASEAN region in South East Asia. For the business in China which changes much faster than Japan, more business dynamisms and more speedy decision making are required, and thus we set up a system where executive officer in charge of the China region will be working as a specialized and resident staff in China from November 2004, following posting executive officer in charge of ASEAN in the South East Asia region in April 2004. When considering individual overseas business development at each operation bases as a vertical line, we intend to strengthen the function as horizontal line in which the optimum strategies within the areas are planned and implemented.

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

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. In addition, in order to continue improving enterprise value, we acknowledge the importance of *quick decision-making and action* and *securing transparency* in the management.

While adopting a Board of Auditors system, we introduced a corporate executive officer system in June 2001, and current management structure features 10

Directors (including one outside Director), 19 Executive Officers (including 8 Officers concurrently serving as Directors) and 4 Auditors (including 2 outside Auditors). The Board of Directors is clearly defined as *the body in charge of making decisions for management policies/strategies and supervising the execution of operations*. The Board of Auditors sets the auditing policy in accordance with laws and the Article of Incorporation, and forms an audit opinion based on reports of each auditor, to report to the management. In addition, auditors attend all the meetings of the Board of Directors and express opinions as necessary. The Board of Executive Officers are the General Managers' Meeting which consists of business operation executive officers and the Board of Executive Officers which consists of administrative executive officers and they make quick decision for each execution of business operations of each segment.

In addition, we established an advisory board with two outside experts as advisors based on the view that it is important to have the management practices examined and checked objectively. We counsel ShinNihon & Co. for a certified public accountants audit to carry out audit in a fair and objective manner. In addition, there are no personnel relations, capital relations, business relations nor other interest relations between outside Directors/Auditors and the company.

Furthermore, we established a Compliance Committee in 2001, in order to implement compliance management. We endeavored to ensure compliance with laws and improvement in management ethics. In November 2003, we established the Nagase Group's Compliance Code of Conduct. We work to make sure compliance matters are well understood by executives and employees of the Nagase Group, set rules for consultation services for compliance and provide opportunities in which group employees can directly report the matter and consult the compliance committee office and outside lawyers beyond the occupational ladder once acknowledging the compliance related problem within the company.

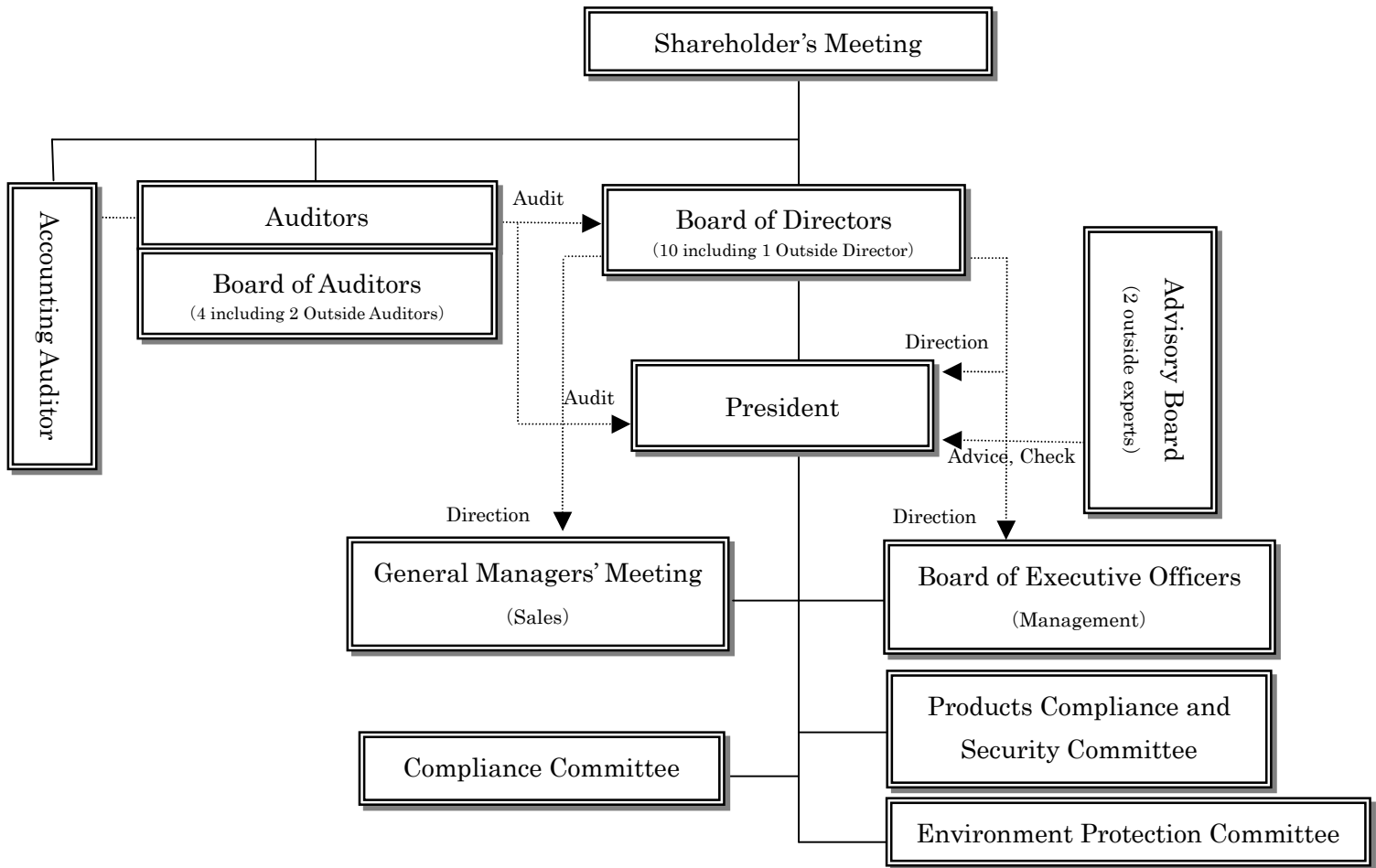
In addition, in Products Compliance & Security Committee, we carry out thorough control of trade of restricted freights and technologies stipulated by the export related laws such as foreign currency and foreign trade law, with the aim to maintain international peace and security.

In Environmental Protection Committee, we engage in activities in line with "Environmental Policies" such as 1) compliance with all environmental laws and regulations, 2) development of businesses that give full consideration to environmental issues, 3) fulfillment of our responsibilities as a good corporate citizen, 4) establishment and continual improvement of environmental management system and 5) disclosing and making the relevant parties fully aware of our environmental policies.

In addition, prior to Act for Protection of Computer Processed Personal Data

held by Administrative Organs which is to be enforced in April 2005, we launched the working team in the Compliance Committee as private information protection measures, as acknowledging the need to further strengthen the information management system within the group. We formulated “Privacy Policy for Personal Information” in October 2004 and will continue enhancing information management system to fulfill social duties.

Diagram of the Company’s corporate governance structure is as follows:





## Business Results and Financial Position

### I. Business Results

#### 1. Overview of Interim Period

##### Overall Company Performance

During the interim period, the Japanese economy continues to trend on a moderate recovery and the material market continues moving favorably. However, there are some uncertainties such as the negative impact from continuing overly high price in crude oil, slowdown in overseas economy including the US, and oversupply of digital home appliances and liquid crystal related products.

We strived to expand earnings under these circumstances and consequently domestic sales increased 2.4% year-on-year to ¥177.57 billion while overseas sales rose 14.6% year-on-year to ¥102.24 billion, making sales of ¥279.81 billion, a 6.5% increase year-on-year.

On the income front, operating income increased 2.9% year-on-year to ¥6.49 billion, thanks to sales increases and others, while recurring income declined 5.7% year-on-year to ¥7.62 billion due to decreases in equity method investment gains. While booking losses due to early adoption of loss impairment accounting standards in the interim period, net income jumped 69.6% year-on-year to ¥4.68 billion due to absence of extraordinary losses in conjunction with the change in the accounting standards for retirement benefits in the previous interim period.

##### Segment Summaries

###### **[Chemicals]**

**Sales: Year-on-year increase of 6.4% to ¥123.36 billion**

In the chemicals segment, sales increased in computer peripheral equipment and automotives related products. An increase in the material market condition also boosted earnings.

- ▶ In the colors material segment, overall pigments, particularly those related to ink materials for ink jet printers, toner materials for copiers and laser printers, and materials for liquid crystal color filters, which we had been concentrating our efforts on as growth industry, trended favorably. While sales of color formers which are the materials for thermal- and pressure- sensitive papers, and other chemicals for paper making and dyestuffs grew flat, sales of chemicals used for plasma display and DVDs increased, pushing up overall sales significantly.
- ▶ Sales of the urethane materials which are used for sheets and cushions for automotives increased centering on overseas owing to the effects from establishment of joint ventures which the company emphasized as strategic area.

Overseas sales of painting materials which the company focused on also grew. Sales of these products grew significantly, boosted by the hike in the material market.

- ▶ The specialty chemicals segment deals with materials for special chemicals such as surfactants for home use toiletry products, and industrial use oil solutions. In this segment, sales of products of Nagase ChemteX Corp., the group's core manufacturing company, increased but overall sales growth was marginal due to some products sold overseas faced competition with lower priced Chinese products.
- ▶ Sales in the fine chemicals segment, which handles materials for pharmaceuticals and agricultural chemicals, intermediates and food additives such as enzyme slightly declined overall, due to price competition in the pharmaceutical industry and the review of the agricultural chemicals business to improve profitability, while enzyme for beverage performed positively.

#### **[Plastics]**

**Sales: Year-on-year increase of 9.9% to ¥90.65 billion**

In the plastic segment, continued expansion of overseas sales and the hike in the material market pushed up sales.

- ▶ Sales overseas (mainly in Asia) of functional resins (engineering plastics) and general use resins continued increasing in the Greater China region. Sales of liquid crystal related components and materials made of synthetic resins also grew overseas.
- ▶ Sales of resin materials for the packaging materials industry and plastics for the home appliance industry in Japan did not increase significantly, but overall growth was steady thanks to the hike in the material market condition.
- ▶ For the business related to resin materials and components for the automotive industry and resin molding facilities, sales expanded not only in Japan and the Asian region including mainland China where we have expanded business bases, but also in the US and Europe, contributing to considerable growth.
- ▶ Sales in the resin materials used for casings of computer peripheral equipments and materials/products for building/housing related facilities expanded significantly owing to collaboration with important clients.
- ▶ The components assembling business including resin molding products for electronics equipments which we launched in the previous fiscal year, steadily expanded, although small sales.
- ▶ The Nagase Group's manufacturing companies including Totaku Industries, Inc. which manufactures industry use hoses, Setsunan Kasei Co. Ltd. which engages in coloring and processing of plastics and Kotobuki Kasei Corp. which manufactures trays for food packaging performed briskly, with increasing sales.

**[Electronics Business]****Sales: Year-on-year increase of 2.5% to ¥59.33 billion**

In the electronics segment, while liquid crystal related components, chemicals for liquid crystals and semiconductors, and equipment related businesses trended favorably, overall sales increased only marginally due to huge decline in the communication equipment related business.

- ▶ While the business centering on formulated epoxy resins at Nagase ChemteX was flat on the whole, high value added products such as semiconductor encapsulants, that we concentrate our efforts on grew steadily, albeit small scale sales.
- ▶ The business for chemicals for manufacturing liquid crystals and semiconductors, and feeding devices expanded significantly, as overseas sales mainly of chemicals and equipments manufactured by the group companies such as Nagase ChemteX contributed to sales.
- ▶ Sales in the business of precision abrasives for semiconductor related silicon wafers processing expanded significantly both in Japan and overseas.
- ▶ Domestic and overseas sales (mainly for Taiwan) of optical films used for liquid crystals trended steadily. In addition, the business of processing and assembling of liquid crystal components in South China was strong for Japan but recorded marginal sales decline for overseas.
- ▶ In the components related business such as liquid crystal modules, sales decreased due to price decline. Meanwhile, sales of aluminum used for laptop PC casings, and products such as DVD players, recoding media and film software which we concentrate our efforts on as a part of development of downstream business, expanded. It more than offset sales decline in the liquid crystal module segment.
- ▶ Sales of components such as power amplifiers used for mobile phones and PHS station bases declined year on year significantly, failing to recover in the interim period, while we are working on sales activities of products corresponding to the next generation products that we developed following a halt in demand in mainland China and others.

**[Healthcare and Others]****Sales: Year-on-year increase 2.8% to ¥6.45 billion**

In the Healthcare and Others operations, all businesses such as cosmetics, health foods, medical care and radiation measurement products trended on par with the previous year.

- ▶ For the door-to-door sales activities in the cosmetics and health foods related segment, sales function has shifted to Nagase Beauty Care Co., Ltd. during fiscal 2003, concentrating on local community oriented sales activities. While sales

increased temporarily owing to the launch of new products, the segment has not yet attained full fledged recovery in sales.

- ▶ Based on medical equipment sales for medical institutions, the medical care related business which handles medical information and diagnostics systems, and the radiation measurement business which is related to safety management of radiation performed almost on par with the previous year.

## **2. Full-year Forecast**

(Unit: million yen)

	Sales	Operating income	Recurring income	Net income
For the year ending March 2005	568,000	12,000	14,200	9,500
For the year ended March 2004	533,301	10,244	13,110	7,010
Year-on-year comparison	106.5%	117.1%	108.3%	135.5%

We estimate our full-year earnings performance based on the information acquired at this stage and thus the figures are in line with the disclosed figures in the previous term (on April 30, 2004). However, the figures may differ significantly in the future, due to the impact from prolonged hike in crude oil prices, demand and supply balance in the electronics equipment related business including liquid crystals, and furthermore, the economic trend in the US, the impact from the counter-cyclical measures taken in China, and other unpredictable changes in the economic situation and environment.

## II. Financial Position

### 1. Overview of Interim Period

#### (1) Status of Consolidated Balance Sheet

Total assets increased ¥9.2 billion year-on-year to ¥319.99 billion owing to increases in account receivable and inventory assets.

While the declared amount of the unrealized holding gains of other securities declined due to price falls in shares and sales of shares, shareholders' equity increased ¥3.01 billion year-on-year to ¥159.22 billion thanks to increases in net income in the interim period.

Consequently 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 ¥1.46 billion due to increase in operating funds and payment of corporate taxes and others, while income before income taxes and minority interests was ¥7.66 billion.

Net cash used in investing activities totaled ¥1.12 billion, due to advancement in capital investment and others although some investment securities were sold off.

In addition, net cash used in financial activities amounted to ¥0.67 billion due to payment of dividends and others.

Consequently, the balance of cash and cash equivalents as of end of the interim period declined ¥1.94 billion year-on-year to ¥19.09 billion.

## 2. Trends in Cash Flow Indicators

	For the year ended March 2001	For the year ended March 2002	For the year ended March 2003	For the year ended March 2004	For the term ended September 2004
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%	36.9%
Debt repayment period (year)	2.9	1.6	3.8	2.6	—
Interest coverage ratio	9.9	19.9	10.1	13.9	—

(Note) 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 declared in the Consolidated Balance Sheet. Interest payment refers to the amount of interest paid as shown in the Consolidated Statement of Cash Flows.
- \* For the interim debt repayment period, the amount per year is calculated by doubling the operating cash flow.

November 1, 2004

## Summary of Non-Consolidated Interim Financial Statements for the Year Ended March 31, 2005

Company Name: Nagase & Co., Ltd.  
 Listing Code: 8012

Stock Exchanges Listed: Tokyo, Osaka  
 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 Directors' Meeting for Interim Settlement of Accounts November 1, 2004

Interim Dividend System: No

Date of Commencement of Interim Dividend Payment: —

Unit Stock System: Yes (1 unit=1,000 shares)

## 1. September 30, 2004 Interim Results (April 1, 2004 - September 30, 2004)

## (1) Business Results

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

	Sales		Operating income		Recurring income	
	¥millions	%	¥millions	%	¥millions	%
Interim period ended September 30, 2004	222,524	4.3	2,828	(11.6)	5,022	(7.8)
Interim period ended September 30, 2003	213,325	2.9	3,201	126.2	5,449	41.4
Year ended March 31, 2004	433,817		4,217		7,663	

	Interim Net Income		Interim EPS	
	¥millions	%	¥	¥
Interim period ended September 30, 2004	3,607	164.7	28.35	
Interim period ended September 30, 2003	1,362	(52.0)	10.71	
Year ended March 31, 2004	5,373		41.84	

Notes: 1. Average number of shares during accounting period.

Interim period ended September 30, 2004: 127,258,250 Interim period ended September 30, 2003: 127,243,892 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 interim net income represent increases (decreases) relative to the previous year's interim results.

## (2) Dividends

	Interim Dividend per	Dividend per share
	¥	¥
Interim period ended September 30, 2004	—	—
Interim period ended September 30, 2003	—	—
Year ended March 31, 2004	—	9.00

(Note) The dividend for the interim period ended September 30, 2004 consists of the following:

Commemorative dividend ¥—

Special dividend ¥—

## (3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	¥millions	¥millions	%	¥
Interim period ended September 30, 2004	253,054	121,490	48.0	953.88
Interim period ended September 30, 2003	240,172	110,890	46.2	871.52
Year ended March 31, 2004	253,810	119,850	47.2	941.65

Notes: 1. Shares issued and outstanding at end of accounting period

Interim period ended September 30, 2004: 127,364,435 Interim period ended September 30, 2003: 127,238,435 Year ended March 31, 2004: 127,224,518

2. Treasury stock at the end of accounting period

Interim period ended September 30, 2004: 11,043,850 Interim period ended September 30, 2003: 11,169,850 Year ended March 31, 2004: 11,183,767

## 2. Forecasts for the Year Ended March 31, 2005 (April 1, 2004 - March 31, 2005)

	Sales	Recurring income	Net income	Annual dividend per share	
				Final	Final
	¥millions	¥millions	¥millions	¥	¥
Whole Year	445,000	8,300	5,400	8.00	8.00

Reference: Annual net income per share is projected to reach ¥42.01

\* 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.