

Summary of Consolidated Interim Business Results for the Year Ended March 31, 2006

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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 Date of Board of Directors' Meeting for Interim Settlement of Accounts October 31, 2005
 Adoption of U.S.GAAP: No

1. September 30, 2005 Consolidated Interim Results (April 1, 2005 - September 30, 2005)

(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, 2005	307,899	10.0	8,807	35.6	9,955	30.6
Interim period ended September 30, 2004	279,812	6.5	6,497	2.9	7,625	(5.7)
Year ended March 31, 2005	575,636		13,256		15,158	

	Interim Net Income		Interim EPS		Fully Diluted Interim EPS	
	¥millions	%	¥	¥	¥	¥
Interim period ended September 30, 2005	7,532	60.7	59.08		58.94	
Interim period ended September 30, 2004	4,686	69.6	36.84		36.75	
Year ended March 31, 2005	10,384		81.00		80.82	

- Notes: 1. Gain (loss) on equity method investment
 Interim period ended September 30, 2005: ¥41 million Interim period ended September 30, 2004: ¥179 million Year ended March 31, 2005: ¥312 million
 2. Average number of shares during the consolidated accounting period
 Interim period ended September 30, 2005: 127,492,855 Interim period ended September 30, 2004: 127,215,519 Year ended March 31, 2005: 127,269,62
 3. Changes to accounting policies: No.
 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, 2005	356,230		180,745		50.7		1,413.71	
Interim period ended September 30, 2004	319,997		159,223		49.8		1,250.56	
Year ended March 31, 2005	335,290		167,092		49.8		1,311.37	

- Notes: 1. Shares issued and outstanding at end of the consolidated accounting period
 Interim period ended September 30, 2005: 127,852,119 Interim period ended September 30, 2004: 127,321,704 Year ended March 31, 2005: 127,361,10

(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, 2005	(377)		896		3,263		22,425	
Interim period ended September 30, 2004	(1,466)		(1,122)		(677)		19,093	
Year ended March 31, 2005	1,716		(1,412)		(5,119)		17,215	

(4) Scope of Consolidation and Application of Equity Method

Consolidated subsidiaries: 43 Non-consolidated affiliated companies covered by equity method accounting: 6
 Affiliated companies covered by equity method accounting: 6

(5) Changes to Scope of Consolidation and Application of Equity Method

Consolidated Subsidiaries: New: 5 Excluded: 0 Equity method: New: 1 Excluded: 2

2. Consolidated Forecasts for the Year Ended March 31, 2006 (April 1, 2005 - March 31, 2006)

	Sales		Recurring Income		Net Income	
	¥millions		¥millions		¥millions	
Whole Year	625,000		18,500		12,300	

Reference: Annual net income per share is projected to reach ¥95.62

* 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 the 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 “a technology and intelligence-oriented company that turns wisdom into business” and from April 2003 we prepared the following long-range vision.

We will provide new “functions” and “services” world wide, based on our chemical business, so as to become a company that continues creating value added businesses that are capable of solving customers’ issues. As an objective of accomplishment of our vision, we aim to achieve consolidated operating income of 20 billion yen and a gross profit margin of 15%, generating earnings in excess of capital costs in ten years.

Our vision is based on the belief that all answers can be found in the market. We aim to strictly apply a customer-oriented approach, make fully use of our technology and intelligence, along with wisdom gained through experience, and ultimately expand earnings.

Due to ever-diversified customer demands, the straightforward intermediary business approach is no longer sufficient for our business to grow steadily. At the same time, we, however, acknowledge that regardless of the industry, no single company can fulfill all functions by itself in this time. To help customers create new value, we therefore will continue to propose new businesses to the market while enhancing our functions in order to be chosen as a reliable partner by customers without hesitation.

2. Basic Profit Distributing 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 pay dividends, considering overall medium to long-term business trends and prospect of capital demand for future growth. We intend to make use of the capitals from retained earnings effectively to strengthen our future business activities and management structure. In addition, we introduced a stock option scheme in fiscal 2002, aiming at boosting the motivation and the morale of employees within the Group to improve their performance and at further increasing Nagase’s corporate value through sharing common interests with our shareholders. During this fiscal year, we issued rights to purchase new shares in the form of stock options to Directors, Corporate Auditors, Executives Officers and Managers of the company as well as Directors and individuals with an equivalent title in consolidated subsidiaries.

3. Approach, Policy, etc. for Reduction of Investment Unit

We recognize that the reduction of minimum investment unit is an effective way to encourage individual investors to participate in the stock market, and hence improve the liquidity of the 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. However, we have not yet decided any specific measures or schedule for the reduction of minimum investment unit at this point in time.

4. Target Management Indicators and Medium to Long-Term Management Strategies

[Progress of the Medium-Term Management Plan “WIT21”]

We launched the three year medium-term management plan, “WIT21 (W: Wisdom, I: Intelligence and T: Technology)” covering the period from April 2003 to March 2006. In “WIT21,” based on the aforementioned long-term vision, we first set a 10-year long-term performance target at “consolidated operating income of 20 billion yen and consolidated gross profit margin of 15% and earnings exceeding capital cost in the fiscal year ending March 2013.” As a stepping stone to achieve this, we have set our initial medium-term target to attain consolidated sales of 550 billion yen and operating income of 11 billion yen in the fiscal year ending March 2006, which is the final year of the “WIT21.” As for the management performance indicator, we give top priority on operating income.

We achieved the numerical targets a year ahead of schedule, generating consolidated sales of 575.6 billion yen and operating income of 13.2 billion yen in the year ended March 2005, the second year of the medium-term management plan. Therefore, we upwardly revised our targets for the final year of the “WIT21,” the year ending March 2006, to consolidated sales of 600 billion yen and consolidated operating income of 16.1 billion yen and decided to continue the “WIT21” plan. It is because we believe that we need to deepen and expand other parts than numerical targets, which are described below. In our projections at this point in time, both consolidated sales and operating income are likely to exceed the upgraded targets, generating 625.0 billion yen and 17.4 billion yen, respectively, in the year ending March 2006.

The three basic strategies we set for the medium-term management plan “WIT21” are as follows:

- 1) Further differentiate Nagase by strictly taking a customer-oriented approach;
- 2) Nurture and strengthen market-leading businesses; and
- 3) Make use of Nagase Group’s functions and distinctive identity to create new businesses.

We aim to provide our customers with superior services and products which the market needs, through proposing and creating new businesses that go beyond being an intermediary. To this end, we take advantage of our relationships developed over many years with around 6,000 excellent suppliers and Nagase Group’s research, development, manufacturing and sales functions.

As for areas where we implement these three basic strategies, we focus on the following four businesses :

- 1) Electronics;
- 2) Life Science;
- 3) Automotives; and
- 4) Overseas Operations.

These are defined as strategic business areas, where we will concentrate our management resources and strive to increase operating revenues. We believe that these four areas have the most potential to exercise strength among all business bases owned by Nagase and that the market of these areas will likely to expand significantly in the future.

[Our New Medium-Term Management Plan “WIT2008”]

We are scheduled to launch a new three-year medium-term management plan, “WIT2008” in April 2006, following the “WIT21.” In the new plan, we take over the basic policies of the “WIT21,” and strive to further promote the reform that the company has implemented and to further strengthen and expand the business.

As for the “ideal image” we are seeking for with the “WIT 2008,” we set the following four items:

- 1) We continue maintaining and expanding strong business structure that enables sustainable growth;
- 2) We are acknowledged by the market as a company that has distinctive business format, taking advantage of technologies that are strategically integrated;
- 3) The proportion of Nagase-oriented businesses where Nagase’s functions create added value is rising
- 4) We have management that emphasizes on CSR (Corporate Social Responsibility)

We intend to implement the following seven strategies as specific strategies on an all company basis, aiming for “strengthening the business structure that enables sustainable growth”:

- 1) Expansion of business structure
- 2) Aggressive investment on the strategic businesses
- 3) Improvement of business structure, so as to generate high revenues
- 4) Maintenance of steady financial standing
- 5) Complete implementation of risk management
- 6) Preparation for consolidated management system
- 7) Fulfillment of quality and quantity of human resources

We are currently preparing detailed targets including numerical targets and we will place top priority on consolidated operating income as a management indicator in the new plan, the same as the WIT21.

5. Challenges to Be Met by Nagase **Enhancement of Strategic Business Area**

We take various measures including business investment for the strategic areas we have designated in the medium-term management plan “WIT21.” Two years and a half have passed since the three-year “WIT21” was launched and we attained results better than the initial numerical targets. However, we will continue making further efforts in order to become a company which genuinely continues creating new businesses.

(Electronics)

Nagase’s electronics business does not handle electronic components per se. Rather, we have developed our business centering on chemical based products such as chemicals for front-end-of-line and back-end-of-line processes for semiconductor and liquid crystal manufacturing.

We believe that the fields including displays, semiconductors, storage devices, imaging and communications technologies, that forms the core in the electronics business will continue growing over the medium to long-term. However, this is an industry characterized by widely fluctuating demand over the short term. We focus on establishing an operating structure that enables sustainable growth in the sector.

Therefore, while we strive to further strengthen and expand our established function as a trading house as a core function, we also strive to enhance the competitive advantage in our original businesses such as epoxy and electronic equipment businesses by making use of our manufacturing function and by continuously preempting customers’ needs ahead of our competitors. In China, where we are focusing particular efforts on business development, we seek to strengthen the component processing business primarily with Nagase International Electronics Ltd., which was established in 2004. For the epoxy business, we aim to further upgrade production capability of formulated epoxy resins at Nagase ChemteX (Wuxi) Corp., which fully commenced commercial operations in 2003, and ultimately to acquire top

market share in the formulated epoxy resin market in China in the future.

(Life Science)

Nagase's Life Science business is wide ranging. It develops businesses for pharmaceutical and agricultural chemical intermediates, new drug substances, drug formulations, enzymes and fermentation products, that are current business pillars, and also covers everything including the sale of cosmetics and health food.

In the pharmaceutical intermediates and new drug substances related business, the core of the sector, we focus on consignment based manufacturing business and invest on R&D and manufacturing equipment. However, we have not seen a concrete return on investment yet. We intend to minimize the risk in the consignment based manufacturing business as much as we could and invest especially on equipment where we can apply our core technologies. Consignment production of drug formations has also grown as an important business. We focus on the areas such as injectable drugs or liquid medications which we can fully make use of our strengths to expand businesses.

In the foods business, we analyze competitiveness of our enzyme production technologies and potential of the products, and concentrate on applications with high added value.

In the cosmetics and health foods business, we intend to maintain a strict focus on development of high added value products for which we utilize our distinctive technologies such as manufacturing of a various non-natural amino acids and cosmetics containing rosemary extract as well as seeking for vitalization of the sales organization.

(Automotive)

The focus of Nagase's automotive related business is the sale of raw materials for plastics and molding equipment to processing manufacturers of automobile interior materials and components manufacturers of automobile exterior components such as head lamps. Based on the relationships with valuable customers nurtured through business transactions, we have extended our business realm to the business combining component designing and molding, purchase of raw materials and components, and consignment of logistics for the overseas bases of customers.

We have already established the bases for components designing in Japan, the US and China (Tianjin), and we newly took part in a joint venture (GUANGZHOU GRG LAMKO MOLD MANUFACTURING CO., LTD.) as a mold manufacturing base in China (Guangzhou) in fiscal 2005. Consequently, we have now three bases with mold manufacturing functions in addition to Canada and Thailand. Furthermore, Nagase and Tokai Spring Mfg. Co., Ltd. established a joint venture company, Tokai Spring Mfg. (Foshan) Co., Ltd. and dedicated to manufacturing and selling precision leaf springs and precision press products for automobiles.

We are working on China as the most important market, and also strive to expand our business in the South East Asian market, primarily in Thailand and Indonesia. We are also exploring the potential of the Indian market, which we expect to develop significantly in the future.

(Overseas Operations)

The strength of Nagase's overseas operations lies in the so called Greater China region including mainland China, Hong Kong, and Taiwan, and the Asean region in South East Asia, where we have many bases. We have excellent suppliers that are not only Japanese companies but also local capital companies overseas. We have a system in which a resident full time Chief Executive Officer is in charge of each area, hence exercising a speedy decision making, and promoting cooperation within the region so as to demonstrate collective strength. We believe that the proportion of overseas operations, at each business division, including aforementioned three strategic areas and overseas operations will expand further in the coming years.

We make business proposals that preempt market demand in the areas that change much faster than Japan and we seek to strengthen the system in which we can response to risks peculiar to overseas business.

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

(Our basic approach to corporate governance)

Nagase's management philosophy is to carry out good and fair business practices. Acknowledging the importance of "quick decision-making and implementation," and "assurance of transparent management," we are working to strengthen corporate governance in order to implement this philosophy and continue raising corporate value.

(Implementation Status of Measures)

Nagase has adopted a Board of Auditor system. The Board of Directors is composed of ten directors, including two outside directors. With regular meetings once a month, the Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and supervising the execution of operations. It also reviews and formulates measures regarding decisions on important matters and progress in business performance.

The Board of Auditors consists of four auditors, including two outside auditors. In addition to attending Board of Directors' meetings and other important meetings, they closely monitor the execution of duties by directors and executive officers through surveys of the Company operations and assets, and require management reports from subsidiaries on an as-needed basis. Monitoring and assignment of task are based on policies and business assignment set at the Board of Auditors' meeting.

The Audit Office is in charge of internal audits, auditing the appropriateness and efficiency of business activities. The Audit Office and Board of Auditors regularly exchange information regarding internal audits and audits of domestic and overseas affiliates and hold liaison meeting twice a year with auditors of the affiliates.

In addition, we seek cooperation with independent accounting auditor, at Ernst & Young Shinnihon. We receive reports regarding accounting matters regularly (including associated internal controls) from them; and Nagase's auditors and Audit Office of Nagase participate at accounting audits performed by Ernst & Young Shinnihon.

We have introduced an executive office system, and have appointed 20 executive officers (seven serving concurrently as Directors). The Board of Executive Officers holds a regular monthly meeting to ensure quick decision making for business execution. Executive officers attend "General Mangers' Meetings," where they discuss operation issues and "Managers' Meetings," where they discuss administrative issues, and establish concrete measures based on status reports received from each department. In addition, we have established an advisory board, as we believe that it is important to have Nagase's management practices evaluated, and checked and advised objectively. Ernst & Young Shinnihon, an accounting auditor, is commissioned to conduct a fair and impartial audit.

At the Annual General Meeting of Shareholders held on June 28 2005, the Board of Directors invited Mr. Takuya Goto, Chairman of the Board of Kao Corporation, to serve as an outside director of the Company, joining Mr. Haruyuki Niimi, Chairman and President of Showa Shell Sekiyu K.K., who was appointed an outside director in 2004. Neither the outside directors nor the outside auditors have any personal, capital or business relationship with, or any other interest in, Nagase except the director Mr. Haruyuki Niimi has Nagase shares. Kao Corporation and Nagase do have a vendor-supplier relationship

with regard to chemicals but all transaction terms are identical to those between Kao and other business partners, which have no relationship with Nagase.

In order to enhance compliance management, we established the Compliance Committee and established “Nagase Group Code of Conduct.” We strived to ensure wholly compliance with laws and regulations and realize our corporate philosophy. In addition, we established a “compliance counseling counter regulations” and set up a center where employees can report or discuss issues directly with a call center that consists of Compliance Committee Office and outside lawyers. We are working to create a system in which Nagase Group’s employees can discuss in-house compliance issues they discover without having to go through established organizational channels.

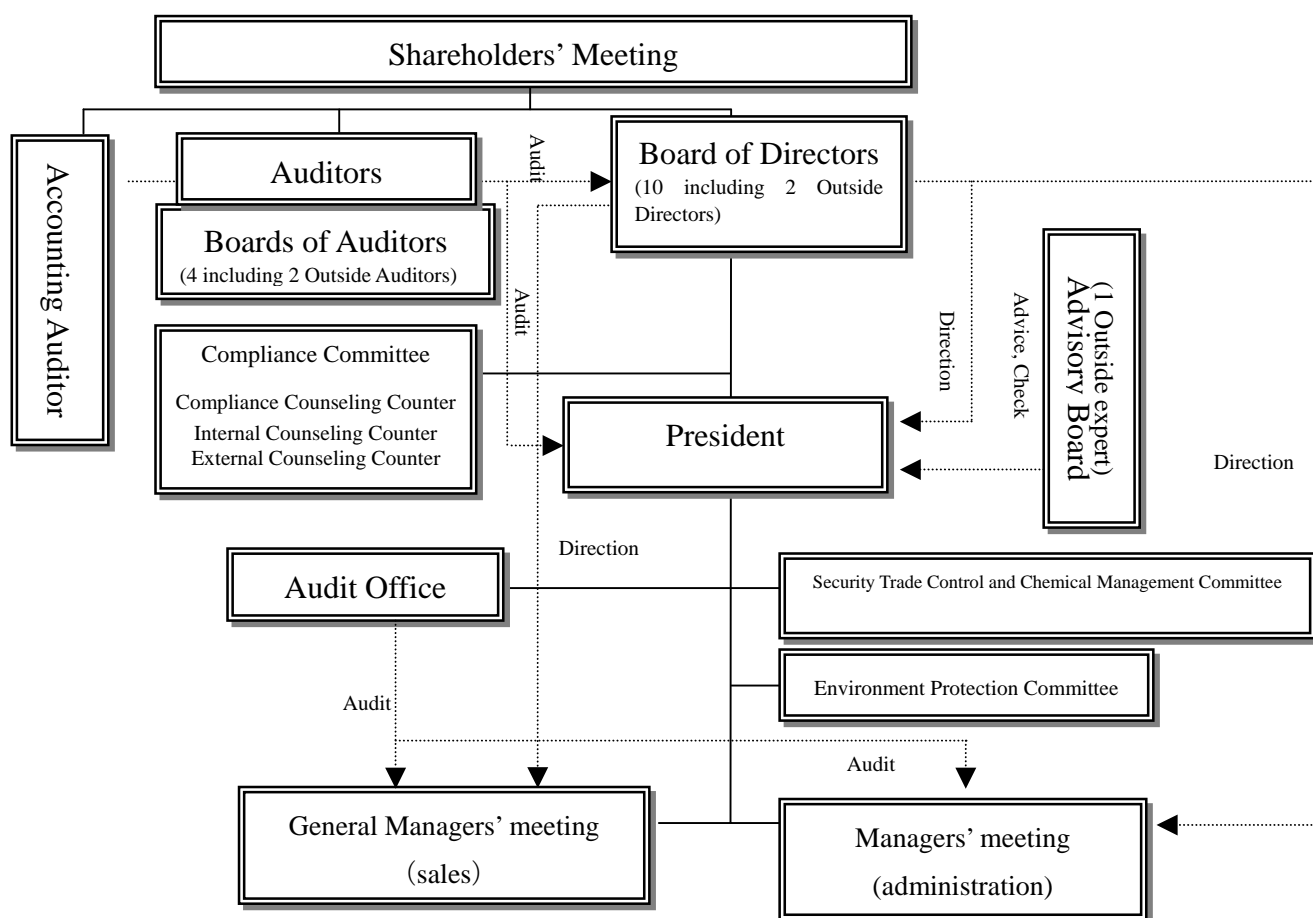
For risk management system, we established the Security Trade Control and Chemical Management Committee. We ensures that Nagase complies with all laws and regulations in connection with transactions involving goods and technologies falling under such export related laws as the Foreign Exchange Law and Foreign Trade Law, which were established to ensure international peace and safety, as well as regulations related to the Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances and Pharmaceuticals Affairs Law.

Environmental Protection Committee engages in environmental protection activities. It has established “environmental policies” as follows:

- 1) Ensure compliance with environmental laws and regulations;
- 2) Promote business activities with environmental awareness;
- 3) Facilitate social harmony;
- 4) Establish and continually improve the environmental management systems; and
- 5) Work to raise awareness and publicize the environmental policies,

Upon enactment of the Personal Information Protection Law in April 2005, the Compliance Committee formed an internal working group in August 2004 to study measures to protect personal information, acknowledging the need to further strengthen the information management system within the group. In February 2005, the Committee issued Regulations Regarding the Protection of Personal Information based on our Personal Information Protection Policy and held briefing sessions to thoroughly raise awareness for management and staff. We will continue working to strengthen our information management system in the future to fulfill social duties.

Diagram of Nagase's corporate governance structure is as follows:



7. Items related to parent company, etc.

There is no relevant item.

Business Performance and Financial Position

I Business Performance

1. Overview of Interim Period

Overall Company Performance

During the interim period, Japanese economic moved out of a “temporary lull” stage since the last half of the previous year backed by favorable Capex and steady individual consumption trends, and albeit moderate, the economic climate continued expanding. However, we still have uncertain factors such as continuing overly high price in crude oil and changes in the economic situations in the US and China.

We strived to expand business performance under these circumstances. Consequently, domestic sales increased to 189.27 billion yen (up 6.6% year on year) and overseas sales increased to 118.62 billion yen (up 16.0% year on year), making sales of 307.89 billion yen (up 10.0% year on year).

On the income front, we recorded operating income of 8.8 billion yen (up 35.6%) and ordinary income of 9.95 billion yen (up 30.6% year on year) due to an increase in sales. We posted interim net income of 7.53 billion yen (up 60.7% year on year) due to gains on sales of property, plant and equipment.

Segment Summaries

【Chemicals】 Sales: 131.61 billion yen Year on year comparison: up 6.7%

The Chemicals business trended favorably due to an increase in sales primarily in the areas where the final application of chemicals are for automobile related industry and a significant expansion in sales overseas such as Taiwan and Hong Kong.

- In performance chemical operations which cover relatively upstream sector in the chemical business, sales increased as a result of focusing on automobile related businesses such as coating materials and urethanes materials. Although sales in the other general purpose chemicals operations were flat year on year, the overall business trended firmly.
- As for the colors material operations that handle the “color” related products such as colorants and dyestuff, ink and toner materials for copiers and printers, and materials applied for digital technologies such as PDP and DVD trended positively. For the dyestuffs operations, while we have focused on overseas sales in accordance with the shift of customers to overseas, sales declined as overseas sales did not offset a decline in demand in Japan. Overall sales at colors material operations were flat compared to the previous year.
- The specialty chemical operations handle a wide range of materials of special chemicals such as surface active agents that are used as materials for household toiletry products including detergents and cosmetics, and industry-use oil solutions. The business trended favorably, centering on overseas sales of epoxy compounds which are manufactured by Nagase ChemteX, the core company of the Nagase Group’s manufacturing companies.
- In the fine chemical operations that handle materials and intermediates of pharmaceuticals and agricultural chemicals, and enzymes, sales of fermentation products such as food additives trended on par with the previous year but sales of pharmaceuticals and agricultural materials were sluggish, thus pressing down total sales.

【Plastics】 Sales: 109.45 billion yen Year on year comparison: up 20.7%

In the plastics segment, the overall sales increased significantly, because overseas sales centering on the

Asian region continued to grow by a large margin; sales of materials for automobile related applications for the North America trended favorably; and domestic sales were also firm.

- Overseas sales of functional resins (Engineering Plastics) and general use resins grew substantially as sales of materials for armoring materials for office equipment and for media related materials such as CD and DVD were favorable in so-called Greater China region, which we are currently focusing on as the most important region in our overseas business.
- Sales of automobile interior materials expanded in Japan and in the Asian region including mainland China for which we have been working to expand the bases. With contribution from sales in North America, sales expanded significantly.
- Sales of materials and products used for building materials and housing related equipments, were flat year on year, including sales of the company's products made from a composite of wood and non-vinyl chloride thermoplastics.
- The assembling business for electronics equipment use components, which we engages in as a part of the plastics related product business, is smoothly expanding in the fiscal 2005, albeit small in size. While sales of materials for the packaging material industry in Japan increased centering on sales of materials used for films, sales of materials for home appliance application decreased.
- For the domestic manufacturing companies in the Group, sales at Totaku Industries, Inc. which manufactures various flexible hoses and pipes for industry and home appliance, trended briskly. However, sales at Setsunan Kasei Co., Ltd., which handles plastics coloring and compound, and sales at Kotobuki Kasei Corp., which manufactures trays for food packaging, declined year on year.

【Electronics】 Sales: 60.91 billion yen Year on year comparison: up 2.7%

In the electronics segment, sales of liquid crystal and fine polishing abrasive related products were firm, while sales of LCD module related products declined. Overall sales increased marginally.

- With regard to the Nagase's products at Nagase ChemteX and others, sales of formulated epoxy resins related products increased slightly. In addition, while sales of supply and management equipment for front-end-of-line photolithography for manufacturing LCDs and semiconductors increased, sales of chemical solutions declined slightly, making overall sales on par with the corresponding period of previous year.
- Sales of products related to liquid crystal materials increased primarily in Japan. Meanwhile, sales of products related to components, such as LCD modules fell significantly mainly for overseas.
- Sales of products related to fine polishing abrasive which is used for silicon wafer processing and others for semiconductor application, increased both in Japan and overseas. In addition, sales of products related to sealants that are used in back-end-of-line process of semi conductor manufacturing were almost flat year on year.
- Sales of products related to aluminum used for armoring materials of electronics equipment which we are currently focusing on, and sales of the company's products, imaging processing and surface inspection equipment, expanded favorably, albeit small in sales scale.
- Sales of DVD players, which we operate as downstream development for electronics related business including LCDs, and DVD film software increased.

【Healthcare and Others】 Sales: 5.91 billion yen Year on year comparison: down 8.3%

Although we have been working to expand sales focusing on door to door sales of cosmetics and health foods, sales were on par with the corresponding period of previous year.

Sales of reagents for clinical tests and clinical use equipment declined, without expanding sales.

2. Full-year Forecast

(Unit : Million yen)

	Net sales	Operating Income	Operating Income	Net Income
For the year ending March 2006	625,000	17,400	18,500	12,300
For the year ended March 2005	575,636	13,256	15,158	10,384
Year on year comparison	108.6%	131.3%	122.0%	118.5%

We estimate our full year earnings based on the information acquired at this stage. 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, the impact from economic trends in the countries including the US and mainland China, and other unpredictable changes in situations and environments.

II Financial Position

1. Overview of Interim Period

(1) Status of Consolidated Balance Sheet

Compared to the end of the previous fiscal year, total assets increased 20.93 billion yen to 356.23 billion yen, owing to an increase in notes and accounts receivable in accompany with sales expansion, and an increase in investment securities due to the upturn in share prices.

Shareholders' equity amounted to 180.74 billion yen, a growth of 13.65 billion yen, compared to the end of the previous fiscal year. This was attributed to the capital of unrealized gains from other securities due to the upturn in share market.

As a result of the above, the shareholders' equity ratio rose by 0.9 percentage points from 49.8% to 50.7%.

(2) Consolidated Cash Flow Status

Although we recorded 11.92 billion yen in net income before income taxes and minority interests, the total outlay in cash flow from operating activities amounted to 370 million yen due to an increase in working capitals and payment of corporate taxes and others.

Cash flow from investing activities totaled 890 million yen due to the sale of part of investment securities and property, plant and equipment, despite prompting capital expenditure.

Furthermore, cash flow for financial activities amounted to 3.26 billion yen. We generated gains from proceeds from long-term debt while we paid dividends.

Cash and cash equivalents, consequently, increased 5.2 billion yen compared to the end of the previous fiscal year, to 22.42 billion yen.

2. Trends in Cash Flow Indicators

	For the year ended March 2002	For the year ended March 2003	For the year ended March 2004	For the year ended March 2005	September 30, 2005
Shareholders' equity ratio	48.0%	49.5%	50.3%	49.8%	50.7%
Shareholders' equity ratio based on market value	22.6%	23.2%	38.8%	40.8%	47.6%
Debt repayment period	1.6 years	3.8 years	2.6 years	8.2 years	—
Interest coverage ratio	19.9	10.1	13.9	3.3	—

(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

* Each indicator is calculated from the basis of consolidated financial figures.

* Market capitalization of shares = Closing share price at the end of the period × Total number of outstanding shares at the end of the period

* Operating cash flow refers to net cash provided by operating activities noted on the Consolidated Statement of Cash Flows. The interest bearing debt is the total debt for which interest is payable on the Consolidated Balance Sheet. Also, the interest payment is the interest payment on the Consolidated

Statement of Cash Flows.

III Operating and other risk

It is shown below that major operating and other issues to which the Nagase Group is subject and that could exert a significant influence on investor decisions.

Forward looking statements are the Nagase Group estimates as of the end of the interim of fiscal 2005.

(1) Impact of Fluctuations in Foreign Currency Exchange Rate

The Nagase Group undertakes import and export transactions that involve foreign currencies. Fluctuations in foreign currency exchange rates impact the value of transactions denominated in foreign currencies when translated into yen. The Nagase Group works to minimize the risks associated with these transactions using forward foreign exchange contracts. However, fluctuations in foreign currency exchange rates have the potential to exert a material impact on the Nagase Group's performance and financial position. The Nagase Group also includes corporations domiciled overseas that maintain their financial statement in foreign currencies. Fluctuations in foreign currency exchange rates therefore have the potential to impact the consolidated financial statements upon translation of the accounts of these corporations into Japanese yen.

(2) Risks Involved in Operating Overseas

A greater percentage of the Nagase Group's activities involving selling and manufacturing overseas, takes place principally in South East Asia, Europe, North America and mainland China. The Nagase Group has a policy to make every effort to determine trends in markets overseas and respond appropriately to them. However, unexpected events including factors deriving from the legal regulations and customs of overseas countries would have the potential to impact the Group's performance and financial position.

(3) Impact of Changes in Stock Prices

The Nagase Group maintains a stock portfolio, primarily shares of companies with which the Group transacts business, and is subject to the risk of changes in the prices of these shares. The Nagase Group takes measures to reduce this risk by divesting unnecessary shares. However, changes in stock prices have the potential to impact the Group's performance and financial position.

(4) Risk of New Investments

The Nagase Group seeks for development from the intermediacy businesses with low-margin brokerage to the high-value-added businesses. The Nagase Group, therefore, undertakes efforts such as aggressively investing in new businesses and purchasing strategic commercial rights with provision of high level-technologies and information by operating Nagase R&D Center and its manufacturing subsidiaries. However, these measures entail operating risks that are different from those inherent in the Group's conventional, low risk brokerage intermediacy businesses. The increased latent risks involved have the potential to impact the Group's performance and financial position.

(5) Product Quality Risk

The Nagase Group operates the Nagase R&D center and manufacturing subsidiaries to provide high added value to customers, and devotes scrupulous attention to the quality of the technologies and products the Group provides. However, we would involve commitment to terminate sales and require the Nagase Group to reimburse customers for issues such as defects in products, and it would have the potential to impact the Group's performance and financial position.

(6) Risk of Regulation of Product Shipments

With the chemicals operation as a core business, the Nagase Group ships a diverse array of products for a

broad range of applications. The Group is therefore subject to the application of regulations that aim in part to maintain international peace and safety, including the “Foreign Exchange and Foreign Trade Control Law” and the “Export Trade Control Order.” The Nagase Group has therefore established the Security Trade Control and Chemical Management Committee, which works to assure compliance with the above regulations. Contravention of these regulations would result in restrictions on business activities and would have the potential to impact the Group’s performance and financial position.

October 31, 2005

Summary of Non-Consolidated Interim Financial Statements for the Year Ended March 31, 2006

Company Name: Nagase & Co., Ltd.

Listing Code: 8012

(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 October 31, 2005

Interim Dividend System: No

Date of Commencement of Interim Dividend Payment:— Unit Stock System: Yes (1 unit=1,000 shares)

Stock Exchanges Listed:Tokyo, Osaka

Location of Head Office:Osaka Prefecture

1. September 30, 2005 Interim Results (April 1, 2005 - September 30, 2005)

(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, 2005	227,306	2.1	3,354	18.6	6,633	32.1
Interim period ended September 30, 2004	222,524	4.3	2,828	(11.6)	5,022	(7.8)
Year ended March 31, 2005	442,304		5,181		8,502	

	Interim Net Income		Interim EPS
	¥millions	%	¥
Interim period ended September 30, 2005	5,431	50.6	42.59
Interim period ended September 30, 2004	3,607	164.7	28.35
Year ended March 31, 2005	6,007		46.67

- Notes: 1. Average number of shares during accounting period
Interim period ended September 30, 2005: 127,530,760 Interim period ended September 30, 2004: 127,258,250 Year ended March 31, 2005: 127,312,351
2. Changes to accounting policies: No.
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, 2005	—	—
Interim period ended September 30, 2004	—	—
Year ended March 31, 2005	—	10.00

(Note) The dividend for the interim period ended September 30, 2005 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, 2005	277,562	137,589	49.6	1,075.84
Interim period ended September 30, 2004	253,054	121,490	48.0	953.88
Year ended March 31, 2005	259,654	126,294	48.6	990.78

- Notes: 1. Shares issued and outstanding at end of accounting period
Interim period ended September 30, 2005: 127,890,024 Interim period ended September 30, 2004: 127,364,435 Year ended March 31, 2005: 127,403,838
2. Treasury stock at the end of accounting period
Interim period ended September 30, 2005: 10,518,261 Interim period ended September 30, 2004: 11,043,850 Year ended March 31, 2005: 11,004,44

2. Forecasts for the Year Ended March 31, 2006 (April 1, 2005 - March 31, 2006)

	Sales	Recurring income	Net income	Annual dividend per share	
				Final	Final
	¥millions	¥millions	¥millions	¥	¥
Whole Year	461,000	10,200	7,300	12.00	12.00

Reference: Annual net income per share is projected to reach ¥56.57

* 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.